

SUBCOMMITTEE NO. 2

Agenda

Alan Lowenthal, Chair
Darrell Steinberg
Mark Wyland



Monday, May 7, 2007
1:00 p.m. or upon adjournment of session
Room 2040

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Vote-Only Calendar

0540 Secretary for Resources

1. Urban Streams Proposition 40 Grant Program – Reversion and Reappropriation

Background. The Urban Streams Restoration Program is a statewide program implemented at the local level. The program is managed by the Department of Water Resources. The program aims to improve water supply reliability and protect fish by improving in-stream and riparian habitat. The program specifically funds restoration, land reserve acquisition, and promotes alternative land management practices. The program also encourages the participation of locals, landowners, and private organizations as well as promoting cooperative planning. Since 1989, the program has provided \$27 million to 242 projects.

Proposition 40 provided \$5 million for the Urban Streams Restoration Program. Of the Proposition 40 state operations funding, the following has not been used: \$10,000 from 2003-04, \$19,775 from 2005-06, and \$21,225 from 2006-07. The total amount of unused funds is \$51,000.

April Finance Letter. The April Finance Letter proposes a reversion of \$51,000 in unused Urban Streams Restoration Program Proposition 40 funds, and to appropriate that \$51,000 as support funds for 0.3 existing positions at that Department of Water Resources to continue management of previously issued grants. These funds would be used to complete the last remaining Proposition 40 Urban Streams Restoration Program projects.

Staff Recommendation. Staff recommends that the Subcommittee approve the April Finance Letter proposal.

2. Santa Barbara County Grant Funded Project Extension of Liquidation

Proposed Language:

0540-361 – Extension of liquidation period, Resources Agency. Notwithstanding any other provision of law, funds appropriated in the following citations shall be available for liquidation until June 30, 2008:

0540-Coastal Resources Grant Program:

(1) Item 0540-101-0001, Budget Act of 1999 (Ch. 50 Stats. 1999).

0540-361 – Extension of liquidation period, Resources Agency. Notwithstanding any other provision of law, funds appropriated in the following citations shall be available for liquidation until June 30, 2008:

0540-Coastal Resources Grant Program:

(2) Item 0540-101-0001, Budget Act of 2000 (Ch. 52 Stats. 2000).

0540-361 – Extension of liquidation period, Resources Agency. Notwithstanding any other provision of law, funds appropriated in the following citations shall be available for liquidation until June 30, 2008:

0540-Coastal Resources Grant Program:

(3) Item 0540-101-0001, Budget Act of 2001 (Ch. 106 Stats. 2001).

Staff Recommendation. Staff recommends that the Subcommittee adopt the proposed extension of liquidation language.

0555 Secretary for Environmental Protection

3. California Environmental Protection Agency Network Refresh Project

Background. The seven California Environmental Protection Agency (CalEPA) departments, boards, and offices are connected to the same network so as to encourage greater collaboration and sharing of network services over time. The CalEPA headquarters is located in a 25-story building with over 7,000 network connections serving 4,824 program staff. The current network arrangement has resulted in cost savings, increased efficiency for technical support, and sharing of network resources and equipment.

The current network will reach end-of-life on July 2007. At that time, the manufacturer will no longer provide technical support, operating system updates, or replacement parts. The CalEPA anticipates that if the network is not updated each department will be making small repairs to its own portion of the network, ultimately creating a problem of program compatibility.

April Finance Letter. The April Finance Letter proposes a three year project with \$2,762,000 in 2007-08 for equipment and related costs. The funds would come entirely from department special funds.

The April Finance Letter also proposes \$331,000 for training, licensing, and consulting costs in 2008-09 and 2009-10.

Staff Recommendation. Staff recommends that the Subcommittee approve the April Finance Letter proposal.

3340 California Conservation Corps

4. Resources Bond Act of 2002 – Reversion of Funds

April Finance Letter. The April Finance Letter proposes a technical correction to the *2006-07 Budget Act*. In the 2006 Budget a reappropriation of \$106,000 from Proposition 40 funds was accidentally recoded twice. This Finance Letter corrects that error by reverting \$106,000.

Staff Recommendation. Staff recommends that the Subcommittee approve the Finance Letter.

3480 Department of Conservation

5. Comprehensive Recycling Community Project

Background. The Comprehensive Recycling Community Project is a new pilot project that intends to increase beverage container recycling by fifty percent in targeted communities. This pilot project aims to develop strategies that can be applied to other communities to increase recycling. This pilot project will select four cities and work with the local governments to implement strategies. The goal is to achieve an 80 percent recycling rate.

Governor's Budget. The Governor's Budget proposes \$1,972,000 (\$423,000 on-going) from the California Beverage Container Recycling Fund for four permanent positions and implementation costs for the Comprehensive Recycling Community Project.

Staff Analysis. The pilot project for this program in its first three months has shown a 10 percent increase in recycling.

Staff Recommendation. Staff recommends the Subcommittee approve the budget proposal.

6. Pollution Prevention in the Bottle Recycling Program

Background. The California Ocean Protection Council passed a resolution on February 8, 2007 to reduce and prevent marine debris. Since the Department of Conservation

(DOC) administers the California Beverage Container Recycling and Litter Reduction Act, DOC is proposing to partner with the Department of Toxic Substances Control to find solution to reduce plastic waste and ban toxic plastics packaging.

The reduction of plastic waste is proposed to be accomplished through coordinated activities, including life cycle assessment, green chemistry alternatives, bioplastics development, processing technology improvement, and industry outreach for pollution prevention.

April Finance Letter. The April Finance Letter proposes to add \$2,402,000 from the California Beverage Container Recycling Fund in budget year and \$2,685,000 for 2008-09 through 2010-11. The funds would be used for a four-year interagency agreement between Department of Conservation and Department of Toxic Substances Control to reduce negative environmental impacts of beverage containers. DOC would use the funds for an interdepartmental contract and six four-year limited-term positions.

Staff Recommendation. Staff recommends that the Subcommittee approve the budget proposal.

7. Camarillo Satellite Relocation – Construction Reappropriation

Proposed Project. The California Conservation Corps received ownership of property in Ventura County from the California Youth Authority in 2001. The proposed project would construct an administration building, a warehouse, hazmat storage, a multi-purpose room, kitchen and dining room, education facilities, and recreational facilities. Once completed, the facility will house 104 youth corps members. The Department of General Services developed the cost estimate for the project.

May Finance Letter. The May Finance Letter proposes to revert previous construction funds and to appropriate \$17,432,000 in Lease Revenue Bonds. This is an increase of \$2,689,000 in construction costs.

Staff Recommendation. Staff recommends that the Subcommittee approve the May Finance Letter request.

3540 Department of Forestry and Fire Protection

8. Bargaining Unit 8 Changes for Firefighter I

Background. Bargaining Unit 8 (BU 8) covers the state's firefighters. On July 1, 2006, the BU 8 contract was extended through June 30, 2008. This contract extension reduced the duty workweek for a Firefighter I from 96 hours to 72 hours. The new contract results in three consecutive 24-hour workdays rather than the previous four 24-hour workdays. With this new contract, the amount of overtime CDF must pay firefighters increased.

AB 1165 (Chapter 229, Statutes of 2006) provided CDF with General Fund for 2006 to cover the cost of hiring additional seasonal Firefighter I positions and to pay the planned overtime for existing Firefighter I positions.

Governor's Budget. The Governor's Budget proposes \$4.2 million in reimbursement authority for CDF to cover planned overtime costs for Firefighter I positions during the fire season.

Required Report. CDF submitted the report required by the Legislature on the department's fire prevention work.

Staff Recommendation. Staff recommends that the Subcommittee approve the budget proposal.

9. Capital Outlay

Governor's Budget. The Governor's Budget includes \$8,120,000 in General Fund and \$149,398,000 in Lease Revenue Bonds for capital outlay. Some of the projects in the Governor's Budget were augmented by May Finance Letters. The funds are for the following capital outlay projects:

- **Baseline Conservation Camp, Remodel Facility** – An additional \$147,000 General Fund for the working drawings phase. The total working drawings cost is \$463,000. The project includes replacement of electrical service, installation of emergency generator and uninterrupted power supply system. Also, the project will construct two 4-bay CCV apparatus buildings, a bulldozer storage shed, an office building, and a 4-bay automotive shop building. This is the final phase of the project. The total project cost is \$7,351,000. This proposal's cost was augmented from the Governor's Budget proposal by a May Finance Letter.
- **Batterson Forest Fire Station, Relocate Facility** – \$4,284,000 General Fund for the construction phase. The project will be to construct a 2-bay apparatus building, an 8-bed barracks, a fuel building, generator, generator building, pump house, site work, and utilities. This is the final phase of the project. The total project cost is \$4,703,000.

- **Bear Valley Forest Fire Station, Replace Water Supply System** – \$533,000 General Fund for acquisition of land. The project will provide a reliable water supply for this facility. This is the first phase of the project and includes acquiring an easement for the well and water delivery infrastructure. The total project cost is \$4,152,000.
- **Hemet-Ryan Air Attack Base, Replace Facility** – \$40,000 General Fund for preliminary plans and working drawings. These funds are in addition to \$2,512,000 already appropriated for preliminary plans and working drawings for this project. This project will construct a new facility at the location of the current facility. The total project cost is \$24,313,000.
- **Pine Mountain Fire Station, Relocate Facility** – \$335,000 General Fund for acquisition of five acres for a new facility location. This is the first phase of the project. The total project cost is \$5,964,000. This proposal's cost was augmented down by \$227,000 from the Governor's Budget by a May Finance Letter.
- **Bieber Fire Station/Helitack Base, Relocate Facility** – \$19,938,000 in Lease Revenue Bonds for the acquisition, preliminary plans, working drawings, and construction of a new fire station with a helicopter launching pad. The funds requested are the total funds needed for the project. This proposal's cost was increased by \$1,373,000 from the Governor's Budget by a May Finance Letter.
- **Fawn Lodge Fire Station, Replace Facility** – \$6,664,000 in Lease Revenue Bonds for preliminary plans, working drawings, and construction phases of the project. This project includes construction of a new barracks, 3-bay apparatus building, generator, pump, storage building, fueling facilities, hazardous materials building, and vehicle wash area. Also, the project includes upgrades such as fire sprinklers to existing buildings. The funds requested are the total funds needed for the project.
- **Growlersburg Conservation Camp, Remodel Facility** – \$45,534,000 in Lease Revenue Bonds for the preliminary plans, working drawings, and construction of a new facility at the site of the existing facility. The funds requested are the total funds needed for the project. This proposal's cost was decreased by \$2,031,000 from the Governor's Budget by a May Finance Letter.
- **Ishi Conservation Camp, Replace Facility** – \$32,107,000 in Lease Revenue Bonds for preliminary plans, working drawings, and construction of a new facility at the site of the existing facility. The funds requested are the total funds needed for the project. This proposal's cost was decreased by \$143,000 from the Governor's Budget by a May Finance Letter.
- **Las Posadas Fire Station, Replace Facility** – \$4,784,000 in Lease Revenue Bonds for preliminary plans, working drawings, and construction of the project. This project includes construction of a one-engine fire station, 8-bed barracks, a 2-bay apparatus building, generator, pump, storage facility, a new fuel vault, and a new well. The funds requested are the total funds needed for the project.
- **Paso Robles Fire Station, Replace Facility** – \$5,777,000 in Lease Revenue Bonds for preliminary plans, working drawings, and construction for a new facility at the site of the existing facility, and \$2,302,000 in reimbursements from the county. The funds requested are the total funds needed for the project. This

proposal's cost was decreased from the Governor's Budget by a May Finance Letter, which also added the reimbursement authority.

- **Red Bluff/Tehama Glenn Fire Station, Replace Facility** – \$25,923,000 in Lease Revenue Bonds for preliminary plans, working drawings, and construction of identified infrastructure at the facility. The funds requested are the total funds needed for the project. This proposal's cost was increased by \$2,346,000 from the Governor's Budget by a May Finance Letter.
- **Westwood Fire Station, Replace Facility** – \$5,733,000 in Lease Revenue Bonds for preliminary plans, working drawings, and construction of the project. The project includes 12-bed barracks, 3-bay apparatus building, office building, generator/pump/storage building, 20,000 gallon water storage tank, and other improvements. The funds requested are the total funds needed for the project. This proposal's cost was increased by \$79,000 from the Governor's Budget by a May Finance Letter.
- **Reappropriations for Various Major Capital Outlay Projects** – \$2,938,000 for reappropriation of the working drawings and construction phases of the following projects: Alma Helitack Base facility replacement, Warner Springs Fire Station replacement, Twain Harte Fire Station facility relocation, Bautista Conservation Camp modular building replacement, and Altaville Fire Station facility replacement.
- **Minor Capital Outlay Projects** – \$2,781,000 General Fund for various minor capital outlay projects (under \$500,000 in total cost).

Staff Recommendation. Staff recommends that the Subcommittee approve the budget proposals for capital outlay.

10. Capital Outlay May Finance Letters

May Finance Letter Augmented Projects. A May Finance Letter alters a capital outlay project. The administration submitted the following May Finance Letters, in addition to the ones listed above:

- Item 3540-301-0001 – Increase Nipomo Forest Fire Station construction cost by \$268,000 General Fund.
- Item 3540-301-0660 – Increase Mendocino Unit Headquarters construction by \$129,000 Lease Revenue Bonds.
- Item 3540-301-0660 – Increase Ventura Youth Conservation Camp working drawings and construction by \$344,000 total from Lease Revenue Bonds.
- Item 3540-301-0660 – Increase South Operations Area Headquarters acquisition, working drawings, and construction by \$6,003,000 total from Lease Revenue Bonds.
- Item 3540-301-0890 – Increase South Operations Area Headquarters construction by \$1,913,000 from federal trust fund.
- Item 3540-301-0660 – Increase Twain Harte Forest Fire Station construction by \$187,000 from Lease Revenue Bonds.

- Item 3540-301-0660 – Increase Bautista Conservation Camp modular building replacement construction by \$2,355,000 from Lease Revenue Bonds.

May Finance Letter Reappropriations. The May Finance Letters also request reappropriation of the following projects:

- Mt. St. Helena, Communication Facility: Renovation – Construction
- Batterson Forest Fire Station: Relocate Facility – Preliminary plans and working drawings
- Hollister Air Attack Base: Relocate Facility – Acquisition and working drawings
- Statewide: Construct Communication Facilities, Phase IV – Preliminary plans and working drawings
- Statewide: Construct Communication Facilities – Working drawings and construction
- Minor Capital Outlay
- Ukiah Air Attack Base: Relocate Facility – Acquisition, preliminary plans, working drawings, and construction
- Statewide: Construct Forest Fire Stations – Preliminary plans, working drawings, and construction
- North Region Forest Fire Station Facilities – Preliminary plans, working drawings, and construction
- Mendocino Ranger Unit Headquarters: Replace Automotive Shop – Acquisition
- Hemet-Ryan Air Attack Base: Replace Facility – Acquisition and construction

Staff Recommendation. Staff recommends that the Subcommittee approve the May Finance Letter proposals.

3560 State Lands Commission

11. Huntington Beach Field Office Replacement – Capital Outlay

Background. The State Lands Commission Huntington Beach office has become infected with toxic mold, due to storm damage to the roof in 2000 that allowed water to seep into the walls. Asbestos and lead paint have been previously identified in the building. Department of General Services estimates that mold and asbestos remediation would cost over \$250,000. However, the building is not ADA compliant and the remediation would not address that problem.

The current Huntington Beach facility houses four employees who are responsible for testing and accounting oil production for royalty computations. All crude oil produced from state leases is sampled, tested and measured for gravity, water content, solids content, and other factors. This testing is used for the royalty verification calculation

process. Annually, the crude oil royalties provide between \$15 to \$20 million in revenues to the state.

Proposed New Building. The new office building and laboratory would be 2,775 square feet with an oil laboratory. The laboratory would be designed as an explosion-proof space. The project cost includes the required equipment. The new office building would be constructed on State Lands Commission owned land in Seal Beach.

The current office would be demolished and the land sold as state surplus. The cost estimate for the site of the current office is \$3 million.

April Finance Letter. The April Finance Letter requests \$2,711,000 General Fund for a new office building and laboratory to be located in Seal Beach.

Staff Recommendation. Staff recommends the Subcommittee approve the finance letter.

3600 Department of Fish and Game

12. Land Management

Background. The Department of Fish and Game (DFG) has numerous responsibilities in land management including security and resource management. The management of DFG lands is important also for containment of invasive species that could spread onto neighboring lands.

In addition to lands DFG purchases, it receives habitat mitigation lands from public and private project proponents as mitigation for the environmental effects of various development projects. The DFG has a statutory mandate to manage and protect these habitat mitigation lands in perpetuity for the unique species and habitat values they support and for which they were acquired.

Governor's Budget. The Governor's Budget proposes \$2,850,000 from various funding sources for 18.5 permanent positions and three limited-term positions to meet management and maintenance needs for site security, resource management, and public use on lands. The funds would come from:

- \$639,000 from Proposition 12
- \$825,000 from the Special Deposit Fund
- \$1,386,000 from reimbursements

Staff Recommendation. Staff recommends that the Subcommittee approve the budget proposal.

13. AB 3158 Environmental Review Program

Background. In 1991, the Legislature passed AB 3158 which established an environmental filing fee on California Environmental Quality Act (CEQA) documents. This fee was intended to finance the Department of Fish and Game CEQA Review Program.

However, the fee has only generated approximately \$2 million in revenues annually, while the program expenditures have been around \$6.5 million annually. The remainder of the balance comes from the General Fund and special funds. To raise more revenues to cover the cost of the program, SB 1535 (Kuehl, 2006), raised the CEQA filing fees. The increased revenue from the higher fee is anticipated at \$4.5 million.

The CEQA Review Program currently has 49 employees, who are able to review approximately 28 percent of the state's CEQA documents.

Governor's Budget. The Governor's Budget proposes \$4,534,000 from the Fish and Game Preservation Fund for 34 permanent positions for the California Environmental Quality Act (CEQA) review program.

The department projects that these 34 new employees could increase the department's CEQA document review rate to about 50 percent.

Staff Recommendation. Staff recommends that the Subcommittee approve the budget proposal.

14. Reimbursable Contract Stakeholder and Constituent Support

Background. The Department of Fish and Game (DFG) reviews permits and California Environmental Quality Act documents, and other environmental documents related to projects that could have an impact on fish or habitat. DFG's role in these interactions includes acting as advisor on compliance with laws and regulations, planning with an agency or non-governmental organization to identify and implement proactive conservation planning programs, permit and agreement development and review, and policy development and implementation.

There are several entities, both state agencies and non-governmental groups, which would like to reimburse DFG for services to review their permits and documents faster. These entities include CalTRANS, Pacific Gas and Electric, and Southern California Edison. These entities produce such a large volume of paperwork that they slow down the processing of other permits if they do not have dedicated staff working on their documents.

April Finance Letter. The April Finance Letter proposes 15 positions for staffing existing contracts and interagency agreements. The cost of these positions (\$1.75 million) would be reimbursed to DFG by the contract entities receiving services.

Staff Analysis. These positions would process permits but not write any documents on behalf of the petitioning agencies or non-governmental entities. Since relatively few entities generate a large amount of work for DFG, and these entities are volunteering to reimburse DFG for the cost of processing their permits, staff thinks this proposal is sound.

Staff Recommendation. Staff recommends that the Subcommittee approve the April Finance Letter proposal.

15. Alignment of Program Budgets

April Finance Letter. The April Finance Letter proposes several technical budget adjustments. These are:

- Shift \$125,000 from the Fish and Game Preservation fund to the newly established California Sea Otter Fund (created by AB 2485, Jones, 2006).
- Reduce Marine Life Management Act and Marine Life Protection Act funding by \$2 million General Fund. This money was approved as one-time for 2006-07, but was accidentally left into the 2007-08 Budget.
- Reduce Fish and Game Preservation Fund by \$400,000 in 2007-08 and \$400,000 in 2008-09 due to AB 2773 and the *2006-07 Budget Act* both providing these funds.

Staff Recommendation. Staff recommends that the Subcommittee approve the April Finance Letter proposal.

3680 Department of Boating and Waterways

16. Abandoned Watercraft Abatement Fund

Background. The Abandoned Watercraft Abatement Fund (AWAF) is used for the removal of abandoned recreational watercraft and water hazards, and in so doing improve public safety of California's waterways. The program was created in 1998, and since then DBW has provided over \$3.3 million to local governments for removal of vessels and other water hazard projects. Statute sets the local match for grants at ten percent.

Governor's Budget. The Governor's Budget proposes \$200,000 from the Abandoned Watercraft Abatement Fund for the administration of the Abandoned Watercraft Abatement Fund program.

Staff Analysis. A clerical error in the budget shows the transfer as \$500,000, rather than the intended \$200,000. The administration submitted an April Finance Letter to correct this mistake.

Staff Recommendation. Staff recommends that the Subcommittee approve the Governor's Budget with the April Finance Letter.

17. Beach Erosion Tasks and Projects

Background. The California Coastal Sediment Master Plan aims to restore and manage coastal sediment and mitigate coastal erosion. The Department of Boating and Waterways has partnered with the United States Army Corps of Engineers, the United States Geological Survey, the California Resources Agency, the State Coastal Conservancy, the State Water Resources Control Board, and the California Coastal Commission in the Coastal Sediment Management Workgroup to implement the California Coastal Sediment Master Plan.

So far, the California Coastal Sediment Master Plan has been worked on with data collection, the creation of a GIS map, and a number of physical and biological resource guides. The Department of Boating and Waterways would use these funds to study and demonstrate that reuse of sediment for beach restoration is an economic and environmental way to tackle the problem.

April Finance Letter. The April Finance Letter requests an addition to the Governor's Budget of a total of \$5,150,000. Of this amount, \$950,000 would be from the Harbors and Watercraft Revolving Fund and \$4.2 million would be from the Public Beach Restoration Fund. The specific tasks to be funded would be:

- \$200,000 for an existing position for one year.
- \$250,000 for identifying and implementing remedial actions to restore critically eroding areas through the beneficial reuse sediments in an economically viable and environmentally acceptable manner.
- \$500,000 for federal shore erosion feasibility efforts
- \$4.2 million for the Surfside-Sunset Beach Restoration Project

Staff Recommendation. Staff recommends that the Subcommittee approve the April Finance Letter.

3790 Department of Parks and Recreation

18. Capital Outlay Projects

Governor's Budget. The Governor's Budget includes the following capital outlay projects, not including projects requesting Proposition 84 funds:

- **Crystal Cove State Park, El Morro Mobile Home Park Conversion** – \$9,988,000 in additional funding for working drawings and construction from Proposition 12 bond funds. This proposal brings the cost of working drawings to \$899,000 and the cost of construction to \$20,297,000. This project will demolish the mobile home park, build an entrance road, a campground, day-use facilities and parking, municipal sewer connection, Moro Creek channel reconfiguration, and riparian corridor restoration. The total project cost is \$23,332,000.
- **Fort Ross State Historic Park, Reconstruct Historic Fur Warehouse** – \$2,007,000 for working drawings and construction from Proposition 40 bond funds. This project will reconstruct a two-story fur warehouse within the Fort Ross State Historic Park and provide appropriate exhibits. The total project cost is \$4,876,000.
- **Reversion: Malibu Creek State Park, Rehabilitate Tapia Facilities** – Reversion of \$4,249,000 to the 2002 Bond Fund. This project was dependent on the Tapia Park property being transferred from Los Angeles County to the Department of Parks and Recreation. The land transfer has been delayed indefinitely.
- **Reversion: Riverside Off-Highway Vehicle Park** – Reversion of \$26,849,000 to the Off-Highway Vehicle Fund of the funds for the acquisition, preliminary plans, working drawings, and construction of the Riverside OHV Park. Toxic waste has been found on the site, and the current site owner is unwilling to pay for clean-up.
- **Statewide: Federal Trust Fund Program** – \$5 million in Federal Trust Fund monies to acquire important additions to or improve facilities within the State Park System. This request is for authority to spend federal grant funds.
- **Statewide: Reimbursed Capital Outlay Projects** – \$3 million in reimbursement authority to spend funds received from other state agencies or non-governmental entities, such as grants or gifts to the park system.
- **Statewide: State Park System Minor Capital Outlay Program** – \$450,000 in Proposition 12 bond funds for construction of minor capital outlay projects.

19. Capital Outlay May Finance Letter

May Finance Letter. A May Finance Letter alters a capital outlay project. The administration submitted the following May Finance Letters, not including projects requesting Proposition 84 funds:

- **Oceano Dunes State Vehicular Recreation Area, La Grande Tract** – \$2.1 million from the Off-Highway Vehicle Fund to acquire approximately 301 acres

in the Oceano Dunes State Vehicular Recreation Area. This is phase two of acquisition. The land is currently owned by San Luis Obispo County.

- **Hungry Valley State Vehicular Recreation Area, Gorman Acquisitions** – \$2.9 million from the Off-Highway Vehicle Fund to acquire up to 69 acres adjacent to Hungry Valley State Vehicle Recreation Area to create a buffer between the park and proposed new housing developments.
- **Statewide: Off-Highway Vehicle Opportunity Purchase Pre-Budget Schematics** – \$4 million from the Off-Highway Vehicle Fund to acquire real property inholdings and parcels adjacent to State Off-Highway Vehicle areas.
- **San Elijo State Beach, Replace Main Lifeguard Tower** – \$1,866,000 in additional funding for construction from Proposition 12 and a federal grant.

20. Capital Outlay Reappropriation

May Finance Letter. A May Finance Letter proposes reappropriation of the following projects:

Item 3790-301-0005, Budget Act of 2001, as reappropriated by Item 3790-491, Budget Act of 2004.

- Statewide, 2000 Bond Opportunity Purchases Acquisition Program – Acquisition

Item 3790-301-0005, Budget Act of 2004.

- Angel Island State Park, Immigration Station Area Restoration – Construction

Item 3790-301-0005, Budget Act of 2005, as reappropriated by Item 3790-491, Budget Act of 2006.

- Antelope Valley Indian Museum, Structural Improvements – Preliminary plans and working drawings
- San Elijo State Beach, Replace Main Lifeguard Tower – Preliminary plans and working drawings

Item 3790-301-0005, Budget Act of 2006.

- Antelope Valley Indian Museum, Structural Improvements – Construction
- San Elijo State Beach, Replace Main Lifeguard Tower – Construction and equipment
- Los Angeles State Historic Park, Planning and Conceptual Design – Study
- Columbia State Historic Park, Drainage Improvements – Working drawings and construction

Item 3790-301-0263, Budget Act of 2001, as reappropriated by Item 3790-491, Budget Act of 2004.

- Oceano Dunes State Vehicular Recreation Area, La Grande Tract – Acquisition

Chapter 1126, Statutes of 2002, as reappropriated by Item 3790-491, Budget Acts of 2005 and 2006.

- California Indian Museum – Preliminary plans, working drawings, and construction

Item 3790-301-6029, Budget Act of 2004, as partially reappropriated by Item 3790-491, Budget Act of 2005 and 2006.

- Railroad Technology Museum, Rehabilitation and Facilities Plan – Working drawings and construction
- Chino Hills State Park, Entrance Road and Facilities – Working drawings
- Chino Hills State Park, Coal Canyon Wildlife Corridor Restoration – Construction
- Donner Memorial State Park, New Visitor Center – Working drawings, construction, and equipment
- Donner Memorial State Park, Visitor Center – Reimbursement

Item 3790-301-6029, Budget Act of 2005, as reappropriated by Item 3790-491, Budget Act of 2006.

- Chino Hills State Park, Entrance Road and Facilities – Construction and equipment
- Topanga State Park, Public Use Improvements – Construction and equipment

Item 3790-301-6029, Budget Act of 2006.

- Big Basin Redwoods State Park, Water System Improvements – Working drawings and construction
- Jedediah Smith Redwoods State Park, Aubell Maintenance Facility – Construction
- Donner Memorial State Park, New Visitor Center – Working drawings and construction
- Donner Memorial State Park, New Visitor Center – Reimbursement

Extend liquidation for Item 3790-301-0005, Budget Act of 2002.

- State Los Encinos Historic Park, De La Ossa Adobe House Museum – Working drawings, construction, and equipment

Extend liquidation for Item 3790-301-6029, Budget Act of 2003, as extended by Item 3790-493, Budget Act of 2006.

- Railroad Technology Museum, Rehabilitation and Facilities Plan – Study and preliminary plans

Staff Recommendation. Staff recommends that the Subcommittee approve the May Finance Letter.

21. Partial Reappropriation of 2005-06 Disaster Relief Funding and Technical Reversions of Two Proposition 12 and 40 Appropriations

Background. In 2003-04, State Park units experienced significant damage as a result of the San Simeon Earthquake and Southern California fires of 2003. As a result, the Legislature appropriated funds for the rebuilding of State Park facilities. However, some of these projects were greatly delayed in waiting for Federal Emergency Management Agency approval.

April Finance Letter. The April Finance Letter proposes to reappropriate \$3,260,000 in Proposition 40 funds. The April Finance Letter also proposes to revert \$3 million in Proposition 40 funds (originally appropriated in 2005-06) and \$107,000 in Proposition 12 funds. The reversions will be requested as new appropriations in 2008-09.

Staff Recommendation. Staff recommends that the Subcommittee approve the April Finance Letter.

22. Extension of Liquidation Period for Local Assistance Grant – California State University, Chico Research Foundation for the design and construction of the Northern California Natural History Museum

Background. In 2002, the Department of Parks and Recreation awarded a grant to the California State University, Chico, to complete the design and construction of the Northern California Natural History Museum. The grant was for \$3 million. The archeological study and geotechnical study of the site have been completed.

April Finance Letter. The April Finance Letter proposes to extend the liquidation period for the grant until June 30, 2010.

Staff Recommendation. Staff recommends that the Subcommittee approve the April Finance Letter.

3860 Department of Water Resources

23. Integrated Regional Water Management – State Operations and Local Assistance Grants

Background. The Integrated Regional Water Management and Local Groundwater Assistance grant programs assist local agencies in the acquisition and construction of capital outlay, water conservation, and groundwater recharge facilities projects and in the development of new local water supply projects. Since 1984, these programs have funded over \$660 million in grants for over 350 projects and feasibility studies.

During the past three years, the Department of Water Resources IRWM grants were:

- 2006-07: No Local Groundwater Assistance Grants; \$157 million in IRWM Implementation Grants to 8 agencies (\$78 million from FY06-07 and balance from FY 07-08).
- 2005-06: No Local Groundwater Assistance Grants; \$12.6 million in IRWM Planning Grants to 28 agencies.
- 2004-05: \$6.4 million - Local Groundwater Assistance Grants to 30 agencies; No IRWM grants.

Governor's Budget. The Governor's Budget proposes \$113,135,000 in Proposition 50 bond funds for local assistance and state operations for regional water management and local groundwater assistance. The funds would be divided:

- \$99,635,000 for local assistance IRWM grants for 2007-08
- \$6.4 million for reestablishment of local assistance for 2007-08
- \$6.4 million for reestablishment of local assistance for 2008-09
- \$700,000 for state operations to fund four existing positions

Staff Recommendation. Staff recommends that the Subcommittee approve the budget proposal.

24. Division of Engineering Multiple Essential Programs Position Authority Request

Background. The State Water Project is undertaking multiple construction projects over the next 12 years to increase the water carrying capacity of the system. These projects are:

- San Geronio Pass Water Agency East Branch Extension, Phase II
- South Bay Aqueduct Enlargement
- North Bay Aqueduct Enlargement
- California Aqueduct East Branch Enlargement
- Perris Dam Repair

- Delta Facilities
- Oroville Facilities Federal Energy Regulatory Commission license related capital projects
- A.D. Edmonston Pumping Plant

Governor's Budget. The Governor's Budget requests position authority for 42 permanent full-time positions to staff design and construction of multiple major capital facilities associated with the State Water Project. The positions would cost \$3,405,000. These positions would be paid for by the State Water Projects, which is off budget.

Staff Recommendation. Staff recommends that the Subcommittee approve the budget proposal.

3900 State Air Resources Board

25. Structural Retrofit of Haagen-Smit Laboratory, El Monte

Project. The Haagen-Smit Laboratory houses the mobile source emissions control program for California. The Department of General Services conducted an evaluation of the Haagen-Smit Laboratory, and found it to be seismically unsafe. The facility was rated Risk Level V, which means that during an earthquake structural damage is almost certain and the safety of any occupants of the building is threatened. The project is a seismic retrofit of the laboratory.

The project needs reappropriation due to delays in signing a contract for construction services.

May Finance Letter. The May Finance Letter proposes reappropriation of \$1 million from the Air Pollution Control Fund for the construction phase of the seismic retrofit project.

Staff Recommendation. Staff recommends that the Subcommittee approve the May Finance Letter.

3930 Department of Pesticide Regulation

26. Pesticide Enforcement and Compliance Improvements

Background. The Department of Pesticide Regulation (DPR) regulates pesticide sales and use. The County Agricultural Commissioners (CAC) have joint authority with DPR to enforce pesticide laws and regulations. The CACs carry out local level enforcement, under the supervision of DPR.

To create consistent enforcement of pesticide regulations in the state, the DPR developed the Enforcement Response Policy, which became formal regulation in 2006. Preliminary reports show that the number of enforcement actions in 2005-06 were more than double of those in 2003-04.

When a proposed fine from an enforcement action is appealed, the CACs are in charge of the administrative appeals hearings. The DPR provides oversight and training through its three regional offices to the approximately 600 CAC staff in the state.

Governor's Budget. The Governor's Budget proposes \$667,000 from the Department of Pesticide Regulation Fund for six permanent positions to provide additional state oversight of field enforcement activities carried out by the county agricultural commissioners and to establish a training program for conducting county agricultural commissioner hearings.

These additional resources would shift the current ratio of one DPR oversight staff for every 38 CAC staff to one DPR staff for every 32 CAC staff.

Staff Recommendation. Staff recommends the Subcommittee approve the budget proposal.

3940 State Water Resources Control Board

27. Technical Changes – Proposition 13, 40, 50

April Finance Letter. The April Finance Letter proposes the following technical adjustments:

- Proposition 13 – Add \$1,572,000 for additional grants to municipalities, local public agencies, and non-profit organizations to implement watershed projects that improve flood and erosion control and wildlife habitats. The requested funds are from canceled projects or unused balances from completed projects.
- Proposition 40 – Reappropriate \$1,926,000 for local assistance in the Small Community Wastewater Program and the Urban Stormwater Grant Program.

- Proposition 50 – Decrease by \$145,000 due to a previously unnoticed appropriation from a prior year.

Staff Recommendation. Staff recommends that the Subcommittee approve the April Finance Letter.

3960 Department of Toxic Substances Control

28. Pollution Prevention in the Bottle Recycling Program

Background. The California Ocean Protection Council passed a resolution on February 8, 2007 to reduce and prevent marine debris. Since the Department of Conservation (DOC) administers the California Beverage Container Recycling and Litter Reduction Act, DOC is proposing to partner with the Department of Toxic Substances Control to find solution to reduce plastic waste and ban toxic plastics packaging.

The reduction of plastic waste is proposed to be accomplished through coordinated activities, including life cycle assessment, green chemistry alternatives, bioplastics development, processing technology improvement, and industry outreach for pollution prevention.

April Finance Letter. The April Finance Letter proposes to add \$1,571,000 in reimbursement authority for nine four-year limited-term positions and contracts. The reimbursement funds would come from the Department of Conservation, which is a partner in this project.

Staff Recommendation. Staff recommends that the Subcommittee approve the budget proposal.

29. New Pretreatment Plant – Reappropriation

Stringfellow Hazardous Waste Site. The Stingfellow Hazardous Waste Site (Site) is a federal superfund near the community of Glen Avon in Riverside County. Until 1972, the Site received approximately 34 million gallons of highly acidic metal and organic waste, which has seeped into the groundwater. The Department of Toxic Substances Control (DTSC) is working to remediate the Site under the direction of the United States Environmental Protection Agency. In 1992, a federal court deemed the State of California solely responsible for the Site. This was because the state selected the Site and issued all of the permits for operation.

The current pretreatment building on the Site was constructed in 1985 as an interim solution intended for five years of use.

Proposed Project. The proposed project would construct a new pretreatment plant, an administrative building, and a maintenance and storage building.

May Finance Letter. The May Finance Letter proposes reappropriation of \$3,963,000 General Fund for acquisition and preliminary plans for a new pretreatment plant at the Stringfellow Hazardous Waste site.

Staff Recommendation. Staff recommends that the Subcommittee approve the May Finance Letter.

3825 San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy

30. Reappropriation for Capital Outlay

Background. In 2002-03, the Legislature appropriated \$18 million to the conservancy from Proposition 40 funds. The conservancy was unable to expend the funds for multiple reasons, but mainly there were a few large land acquisitions that the conservancy could not complete.

Governor's Budget. The Governor's Budget proposes a \$12.67 million reappropriation in Proposition 40 bond funds for the conservancy.

Staff Analysis. The conservancy has indicated to staff that although it has identified up to \$60 million in land acquisitions, those land purchases are still undergoing Department of General Services (DGS) review. The previous land acquisitions fell through because of numerous problems, and there is no guarantee that the projects identified this time by the conservancy will be approved by DGS. The conservancy should provide information to the Subcommittee showing that the projects are ready for expenditure.

Staff Recommendation. Staff recommends the Subcommittee approve the budget proposal.

8570 Department of Food and Agriculture

31. Quagga Mussel Inspections at the Border Protection Stations

Background. A highly invasive fresh-water quagga mussel, related to the zebra mussel, was discovered in California on January 17, 2007. The quagga mussel was found in Lake Havasu and on the Metropolitan Water District intake pumps. The Department of Fish and Game has expressed concern that the species could cause potentially wide-spread damage to drinking water pumping systems and other related infrastructure. In addition to damage to infrastructure, the quagga mussel eats nutrients out of the water at a high rate and leaves other water-organisms with little food.

Due to lack of funds, border station boat inspections were discontinued in 2003. Between 1993 and 2003, quagga and zebra mussels were detected on 70 occasions. Since the Yermo, Needles, and Vidal border station boat checking was started again in January 2007 with emergency funds, six out of the 2,200 watercraft checked have carried adult mussels. The boats can also carry quagga mussel larva in their water tanks.

April Finance Letter. The April Finance Letter proposes \$2,497,000 in reimbursement authority for 35 positions in 2007-08, and \$2,379,000 in reimbursement authority in 2008-09. The reimbursement would come from the Department of Fish and Game.

With these funds, the Department of Food and Agriculture would operate border inspection stations for boats at Yermo, Needles, Vidal, Blythe, and Truckee.

Staff Recommendation. Staff recommends that the Subcommittee approve the April Finance Letter.

32. Eradication of Japanese Dodder

Background. The Japanese Dodder is a parasitic noxious weed that engulfs entire plants and kills them by cutting off their nutrients. The Japanese Dodder is classified as an A-rated noxious weed, meaning that it has known economic importance. The Japanese Dodder was found in California in 2005, and is now located in several California counties.

April Finance Letter. The April Finance Letter proposes \$977,000 from the Agriculture Account within the Food and Agriculture Fund for 2007-08 to pay for 7.2 positions. The April Finance Letter also proposes \$881,000 for 2008-09.

Staff Recommendation. Staff recommends that the Subcommittee approve the April Finance Letter.

33. CalSTARS On-Going Costs

Background. As part of the 2006-07 Budget Act, the Legislature provided the Department of Food and Agriculture with funds to transition from their old accounting system to CalSTARS. However, no funds were provided for on-going maintenance of the new CalSTARS system. The funds requested here would be used to contract with the Department of Technology Services.

April Finance Letter. The April Finance Letter proposes \$347,000 from various funding sources (\$118,000 General Fund) for on-going maintenance costs of the CalSTARS system.

Staff Recommendation. Staff recommends that the Subcommittee approve the April Finance Letter.

34. Capital Outlay

May Finance Letter. The May Finance Letter requests that \$23,196,000 in unencumbered balances for the Yermo Agricultural Inspection Station relocation be reverted. The proposed language is as follows:

Item 8570-301-0042, Budget Act of 2005, as reappropriated by Item 8570-490, Budget Act of 2006:

1. Relocation: Yermo Agricultural Inspection Station – Acquisition, Preliminary Plans, Working Drawings, and Construction

Item 8570-301-0660, Budget Act of 2005, as reappropriated by Item 8570-490, Budget Act of 2006:

1. Relocation: Yermo Agricultural Inspection Station – Construction

Staff Recommendation. Staff recommends that the Subcommittee approve the May Finance Letter.

CALFED

35. CDF CALFED Bay-Delta Program Component

Background. In 2006, the California Department of Forestry and Fire Protection entered into a three year interagency agreement with the Resources Agency to provide accounting, personnel transaction, and examination services for the CALFED Bay-Delta Program. The agreement is effective until June 30, 2009.

Governor's Budget. The Governor's Budget proposes \$182,823 in reimbursement authority and 3 positions for the California Department of Forestry and Fire Protection to provide accounting, personnel transaction, and examination services for the CALFED Bay-Delta Program. The reimbursement authority would be from General Fund through the Resources Agency. The funds would be appropriated for three years at \$183,000 a year.

Staff Recommendation. Staff recommends the Subcommittee approve the proposal.

36. CALFED Ecosystem Restoration Program – Bay-Delta Conservation Planning Process

Background. The CALFED Ecosystem Restoration Program calls for the development of a Bay-Delta Conservation Plan (BDCP). The BDCP would support the implementation of near-term water supply, water quality, ecosystem, and levee actions. The BDCP restoration plans, conservation strategies, and recovery actions will focus on State and federally listed pelagic and anadromous species that are impacted by covered activities. The BDCP would strive to:

- Protect and conserve covered species on a regional scale
- Provide long-term assurances related to the operation of water and power-related projects and associated activities of the State Water Project and other utilities
- Create regulatory benefits for water users, define the proportional share of the State Water Project towards mitigation and conservation goals
- Provide implementation opportunities for the California Endangered Species Act and the federal Endangered Species Act.

In December 2005, negotiations on a Statement of Principles were completed by State and federal agencies, water users, power interests, Delta interests, and others. The Statement of Principles proposes to provide \$60 million in new and existing funds for the BDCP, and other large CALFED plans and studies.

Governor's Budget. The Governor's Budget proposes authority for two new positions to the Department of Water Resources to work on the Bay-Delta Conservation Plan. The positions would cost \$151,000 in salary, wages, and benefits. The funds used would be State Water Project funds, which are off budget.

These two new positions would allow a more condensed schedule for the Bay-Delta Conservation Plan. With the new positions, completion of the project would be anticipated for FY 2010-11.

Staff Recommendation. Staff recommends the Subcommittee approve this budget proposal.

37. CALFED Fish Passage Improvement Program

Background. The CALFED August 2000 Record of Decision (ROD) outlines fish passage goals. The Fish Passage Improvement Program will continue to study and evaluate fish passage and fish screen issues with respect to the development and implementation of the ERP regional restoration plans, Habitat Conservation Plans, and Natural Communities Conservation Plans.

Governor's Budget. The Governor's Budget proposes \$1.2 million in Proposition 50 bond funds for 7.6 existing positions to continue the management, administration, and implementation of the CALFED Fish Passage Improvement Program. This money is being requested through the Department of Water Resources.

Questions.

1. How many of the fish passage goals outlined in the CALFED 2000 Record of Decision has CALFED achieved so far?

Staff Recommendation. Staff recommends the Subcommittee approve the budget proposal.

38. CALFED Conveyance and Water Quality Program Projects

Background. The goal of the CALFED Water Quality Program is to advance efforts to provide safe, reliable, and affordable drinking water to the millions of Californians who receive water from the Delta watershed. The program strives to improve source water quality, water management, and water treatment. The program and its initial activities are described in the CALFED Record of Decision. Currently, the California Bay-Delta Public Advisory Drinking Water Subcommittee guides implementation of the program.

The fish Collection, Handling, Transportation, and Release (CHTR) evaluation program is a multi-year study to evaluate the impacts to Delta smelt of the processes at the State Water Project and Central Valley Project pumping plants of collecting, handling, transporting, and releasing salvaged fish. These fish protection improvements may be realized, in part, through operational and capital outlay changes at the existing facilities. The CHTR study will develop alternatives that can meet engineering and operational requirements of the pumping plants with minimal impacts to the surrounding Delta environment.

The Department of Water Resources is still working on the Environmental Impact Report for the Franks Tract project. Preliminary feasibility studies suggest that modifications to the Franks Tract by restoring levees and installing tidal gates could reduce salinity in the central and south Delta.

Governor's Budget. The Governor's Budget proposes \$5,875,000 in Proposition 13 and Proposition 50 bond funds for one existing position and two new positions. There is also one off-budget State Water Project funded position. The request breaks down as follows:

- \$1,750,000 in Proposition 13 general obligation bond funds to support evaluation of fish facility improvement alternatives at intake facilities.
- \$4,125,000 in Proposition 50 general obligation bond funds for the Franks Tract Project.
- One new position costing \$107,000 with State Water Project Funds (off budget) for the Franks Tract Project.

This money is being requested through the Department of Water Resources.

Staff Recommendation. Staff recommends the Subcommittee approve the budget proposal.

Discussion Items

3110 Special Resources Program

Background. The Special Resources Programs include the Tahoe Regional Planning Agency, the Yosemite Foundation Program, and the Sea Grant Program.

Governor's Budget. The Governor's budget proposes \$4.7 million for these three special resources programs. This is about nine percent less than the expenditure in the current year due to a General Fund reduction.

Summary of Expenditures				
<i>(dollars in thousands)</i>	2006-07	2007-08	\$ Change	% Change
Type of Expenditure				
Tahoe Regional Planning Agency	\$4,344	\$3,808	-\$536	12.1
Yosemite Foundation Program	840	840	0	0
Sea Grant Program	201	248	47	23.3
Total	\$5,385	\$4,896	-\$489	-9.1
Funding Source				
General Fund	\$134	\$0	-\$134	-100
Yosemite Foundation Account	840	840	0	0
California Environmental License Plate Fund	4,287	3,932	-355	-8.2
<i>Budget Act Total</i>	<i>5,261</i>	<i>4,772</i>	<i>-489</i>	<i>-9.2</i>
Harbors and Watercraft Revolving Fund	124	124	0	0
Total	\$5,385	\$4,896	-\$489	-9.1

Tahoe Regional Planning Agency

Background. The Tahoe Regional Planning Agency (TRPA) was established by a congressionally approved compact between California and Nevada. The TRPA provides planning and enforceable regulations that preserve and enhance the environment and resources of the Lake Tahoe Basin. Funding for the agency is shared between California (two-thirds) and Nevada (one-third) according to the compact that established the agency.

1. Legal Budget Increase

Background. Currently, the Tahoe Regional Planning Agency (TRPA) has a legal budget of \$450,000. The legal budget has been the same since 1999. TRPA's legal staff consists of two attorneys and a paralegal. This legal staff supports the 15 member Governing Board, over 90 agency staff, and conducts legal tasks related to planning, regulatory, and environmental improvement programs and responsibilities. The current compact between California and Nevada allows for planning enforcement only through court action.

New TRPA Activities. Over the next five years, TRPA will be developing a new Regional Plan, implementing new Shorezone regulations, preparing comprehensive agency code revisions, pursuing increased enforcement, and additional agency activities related to planning implementation.

Governor's Budget. The Governor's Budget includes no funds for this proposal.

Staff Analysis. With an increase in its legal budget, TRPA would be able to:

- Outsource compliance, enforcement, and legal services as the need arises, particularly when in-house staff capacity is over-extended.
- Address TRPA's strategic priority of improving Regional Plan compliance through improved enforcement.
- Compensate for inflationary cost increases over time of normal operating expenses, such as salary comparability and retention pay increases.

Staff Recommendation. Staff recommends the Subcommittee approve \$100,000 General Fund for legal costs at the Tahoe Regional Planning Agency with the following budget bill language:

The funds appropriated in Schedule (1) shall only be used for enforcement of the Tahoe Regional Planning Agency regulations mitigating the adverse environmental effects of development near Lake Tahoe.

2. Tahoe Transportation District Transit Staff Position

Background. The Tahoe Regional Planning Agency (TRPA) was made the Metropolitan Planning Organization (MPO) for the Tahoe region in 1999. As the MPO, TRPA has

responsibility over regional transportation planning, and access to federal and state funds for that purpose. TRPA conducts the regional transportation planning, while the local transportation district implements the plans.

Governor's Budget. The Governor's Budget includes no funds for this proposal.

Staff Analysis. State and federal transportation funds are determined by a population-based formula. The Tahoe area has a population of 62,000 residents, and receives transportation funds based on that number of people, even though during the tourist-season the area can have a day-population of 230,000 people. Due to this population formula, it is difficult for the local transportation district to access state and federal transit funds. However, the federal government has provided some funds for water-based transit infrastructure, but not for staff to implement the plan.

Staff thinks providing TRPA with one position to direct transportation planning implementation will assist the region in creating more integrated transportation. However, since the Tahoe region does have the ability to levy a local tax to support local transportation, the funding should be limited-term.

Staff Recommendation. Staff recommends the Subcommittee approve \$100,000 General Fund for one two-year limited-term position for transit operation and systems development.

3480 Department of Conservation

Background. The Department of Conservation (DOC) is charged with the development and management of the state's land, energy, and mineral resources. The department manages programs in the areas of: geology, seismology, and mineral resources; oil, gas, and geothermal resources; agricultural and open-space land; and beverage container recycling.

Governor's Budget. The Governor's Budget proposes \$1.2 billion to support DOC in the budget year. This is an increase of \$216 million over the estimated expenditures in the current year. The majority of this increase is from the Beverage Container Recycling and Litter Reduction program due to recent legislation that increased the California Redemption Value (CRV) payments.

Summary of Expenditures				
<i>(dollars in thousands)</i>	2006-07	2007-08	\$ Change	% Change
Type of Expenditure				
Geologic Hazards and Mineral Resources Conservation	\$ 23,769	\$ 24,227	\$ 458	1.9
Oil, Gas, and Geothermal Resources	18,866	19,793	927	4.9
Land Resource Protection	25,738	36,250	10,512	40.8
Beverage Container Recycling and Litter Reduction	972,528	1,177,673	205,145	21.1
Office of Mine Reclamation	8,148	6,860	-1,288	-15.8
Administration	12,061	13,296	1,235	10.2
<i>less distributed administration</i>	-12,061	-13,296	-1,235	10.2
Total	\$ 1,049,049	\$ 1,264,803	\$ 215,754	20.6
Funding Source				
General Fund	\$ 4,587	\$ 4,668	\$ 81	1.8
Special Funds	1,010,328	1,215,647	205,319	20.3
Bond Funds	22,278	32,631	10,353	46.5
<i>Budget Act Total</i>	<i>\$ 1,037,193</i>	<i>\$ 1,252,946</i>	<i>\$ 215,753</i>	<i>20.8</i>
Federal Trust Fund	1,813	1,809	-\$4	-0.3
Bosco-Keene Renewable Resources Investment Fund	994	1,002	8	0.8
Reimbursements	9,050	9,046	-4.00	0
Total	\$ 1,049,050	\$ 1,264,803	\$215,753	20.6

1. Implementation of AB 3056

Background. AB 3056 (Chapter 907, Statutes of 2006) makes a number of changes to the beverage container recycling program. These changes include:

- Extends the program sunset date from January 1, 2007 to January 1, 2012.
- Increases the annual market development and expansion grants from \$10 million to \$20 million.
- Adds plastic and aluminum containers to the quality incentive payments program (glass already included).
- Appropriates \$15 million annually for program payments. Authorizes payment of up to \$60 per ton for glass, \$180 per ton for plastic, and \$125 per ton for aluminum meeting all specified criteria.
- Establishes a Plastic Market Development Program authorizing up to \$5 million annually to certified entities and product manufacturers for empty plastic beverage containers collected and either recycled or used in manufacturing.
- Establishes a Recycling Incentive Payment Program authorizing up to \$10 million annually to eligible recycling centers and drop-off or collection programs.
- Requires the DOC to conduct a cost survey during 2007 and every two years thereafter to determine future handling fee payments.
- Authorizes up to \$20 million during FY 2007-08 in competitive grants issued to community conservation corps designated by a city or county.
- Reduces the processing fee paid by beverage manufacturers to zero for any container type with a recycling rate of 40 percent or greater.
- Increases distributor redemption payment withholding for administrative costs from 1 percent to 1.5 percent.
- Authorizes up to \$5 million for expenditures until January 1, 2008 for a public education and information campaign aimed at promoting increased recycling of beverage containers.

Currently, of the approximately 20 billion beverages with CRV currently sold in California, about 12 billion are redeemed. This is approximately a 60 percent recycling rate. Prior legislation, the California Beverage Container Recycling and Litter Reduction Act (AB 2020, Margolin, Statutes of 1986), sets an objective of 80 percent recycling rate for beverage containers.

Governor's Budget. The Governor's Budget proposes \$3,357,000 (\$2,146,000 on-going) from the California Beverage Container Recycling Fund for 19 permanent positions and 4 one-year limited-term positions. These funds would be used for implementing AB 3056 (Chapter 907, Statutes of 2006).

Staff Recommendation. Staff recommends that the Subcommittee approve \$3 million for AB 3056 implementation.

3540 Department of Forestry and Fire Protection

Background. The California Department of Forestry and Fire Protection (CDF), under the policy direction of the Board of Forestry, provides fire protection services directly or through contracts for timberlands, rangelands, and brushlands owned privately or by state or local agencies. In addition, CDF: (1) regulates timber harvesting on forestland owned privately or by the state and (2) provides a variety of resource management services for owners of forestlands, rangelands, and brushlands.

Governor's Budget. The Governor's Budget provides \$686 million to support CDF in 2007-08. This is approximately \$38 million, or 6 percent, more than the level of expenditures estimated for the current year. The increase is due to increased capital outlay expenditures as well as employee compensation cost increases associated with fire protection. General Fund support for the department is also proposed to increase by approximately 5 percent as a result of increased capital outlay spending.

Summary of Expenditures				
<i>(dollars in thousands)</i>	2006-07	2007-08	\$ Change	% Change
Type of Expenditure				
Office of the State Fire Marshal	\$ 14,383	\$ 15,766	\$ 1,383	9.6
Fire Protection	845,660	851,201	5,541	0.6
Resource Management	56,822	69,017	12,195	21.5
Capital Outlay	8,793	30,954	22,161	252
Administration	66,759	67,006	247	0.4
<i>less distributed administration</i>	<i>-66,129</i>	<i>-66,382</i>	<i>-253</i>	<i>0.4</i>
Total	\$ 926,288	\$ 967,562	\$ 41,274	4.5
Funding Source				
General Fund	\$ 625,768	\$ 654,938	\$ 29,170	4.7
Special Funds	8,337	8,785	448	5.4
Bond Funds	12,947	22,005	9,058	69.9
<i>Budget Act Total</i>	<i>\$ 647,052</i>	<i>\$ 685,728</i>	<i>\$ 38,676</i>	<i>5.9</i>
Federal Trust Fund	29,311	26,258	-3,053	-10.4
Forest Resources Improvement Fund	699	7,802	7,103	1016.1
Timber Tax Fund	31	33	2	6.4
Reimbursements	249,199	247,741	-1,458	-0.6
Totals	\$ 926,292	\$ 967,562	\$ 41,270	4.5

1. Efforts to Contract with Certified Disabled Veteran Business Enterprises

Background. Existing law provides that state agencies have a goal of assigning 3 percent of contracted services to certified disabled veteran businesses. CDF has acknowledged past lapses in meeting this goal, but believes it has made significant progress with this objective. On the other hand, all parties acknowledge that the goal is just that, and is not as strong as a binding requirement for a certain percentage of contracts to go to qualified disabled contractors.

Though existing law also establishes a goal of 25 percent of all contracts be awarded to certified small businesses, these small businesses are entitled to a 5 percent competitive advantage with certain bids to state agencies. Disabled contractors are not covered by this provision nor are they guaranteed a contract even when their price is the same as that of a non-disabled contractor. Similarly, state agencies, including CDF, do not set aside a specific portion of their contracting budgets for certified disabled contractors.

In 2006, CDF awarded 2.2 percent of its contract for goods and services to disabled veteran businesses. This is up from 2005, when only one percent of contracts were awarded to disabled veterans. Also, CDF awarded 16.4 percent of its contracts to small businesses, an increase over the 2005 rate of 13.3 percent.

As part of the *2005-06 Budget Act*, the Legislature requested a report from CDF on its efforts to contract with certified disabled veteran businesses, as directed by current law. In this report, CDF identified inconsistent policies at the department related to contracting with veteran-owned businesses. The report indicated that CDF conducted eight hired equipment dispatching training workshops throughout the state for CDF fire dispatchers in 2005. A total of 64 dispatchers from 21 of CDF's dispatching centers received training on CDF's emergency equipment hiring and dispatching policies and a special emphasis was placed on how CDF provides preferential hiring opportunities to disabled veteran business enterprises.

Staff Recommendation. Staff recommends that the Subcommittee approve the following two Supplemental Report Languages:

1. On or before January 10, 2008, California Department of Forestry and Fire Protection shall report to the Legislature on its efforts to contract with certified disabled veteran business enterprises during the 2007 fire season. The report shall include the amount paid to these enterprises in the 2006 fire season compared to 2005. The report shall also inform the Legislature of the department's efforts to train its employees, including dispatchers, in order to minimize the frequency and duration of lost opportunities for certified disabled veteran business enterprises to be awarded contracts and to employ their workers during the fire season. The report shall also explain to the Legislature how the department is working to meet their disabled veteran business enterprise participation goals.
2. On or before January 10, 2008, the California Department of Forestry and Fire Protection shall provide a report to the Legislature (including budget and fiscal committees from both houses) on the resources and time required to provide real time access to the department's

database of the statewide rotational hiring of rental equipment to disabled veteran business enterprise contractors.

2. Capital Outlay Project Management

Governor's Budget. The Governor's Budget includes trailer bill language providing the Department of Forestry and Fire Protection with authority to manage its own capital outlay projects.

Legislative Counsel's Digest. The Legislative Counsel's digest of the trailer bill language states:

Existing law authorized the Department of Finance, until January 1, 2009, to delegate to the Department of Parks and Recreation the right to exercise the same authority granted to the Division of the State Architect and the Real Estate Services Division in the Department of General Services, to plan, design, construct, and administer contracts and professional services for legislatively approved capital outlay projects. Existing law authorizes the Department of Finance to revoke that delegation at any time before January 1, 2009.

This bill would authorize the Department of Finance to delegate to the Department of Forestry and Fire Protection the right to exercise that same authority, and would authorize the Department of Finance to revoke the delegation at any time.

LAO Recommendation. The LAO finds that unlike DGS and other state departments with project management authority, the department has not been filing quarterly capital outlay reports on its project management activity with the Department of Finance, as is required under state administrative procedure. Additionally, the *Supplemental Report of the 2006 Budget Act* requires the department to report to the Legislature by January 10, 2007, on actions that it and DGS are taking or will take to improve DGS's management of the department's projects. At the time this analysis was prepared, this report had not been submitted to the Legislature. The LAO believes that all of this information will be necessary for the Legislature to determine whether the department should continue to manage its own capital outlay projects.

The LAO thinks that since the department does not yet have a track record of completing capital outlay projects and because important information about the capital outlay process and the department's ongoing projects have not yet been provided to the Legislature, it would be premature to expand the scope of the department's capital outlay project management at this time. In particular, since the department has not yet developed a track record of managing fire station replacements (fairly prototypical projects) it would be premature to expand the department's project management authority to larger, more complicated projects, such as the Red Bluff/Tehama Glenn Unit Headquarters replacement project. The LAO therefore recommends revising the proposed budget language in order to exclude the Red Bluff/Tehama Glenn Unit Headquarters replacement project from the list of projects to be managed by the department. This particular project would instead be managed by DGS. The LAO's revised budget bill

language would retain the authority for the department to manage the four fire station replacement projects, as proposed by the budget.

The LAO recommends that the following provisional language be amended in the budget bill as follows:

Amend Item 3540-301-0001, Provision 1, as follows:

The funds appropriated by Schedules (2) and (6) of this item include funding from construction and preconstruction activities, including, but not limited to, study, environmental documents, preliminary plans, working drawings, equipment, and other costs relating to the design and construction of facilities, that may be performed by the Department of Forestry and Fire Protection, subject to the approval of the Department of Finance. While the Department of Forestry and Fire Protection may manage these projects, the projects are subject to review by the State Public Works Board and require authorization to proceed to bid from the Department of Finance.

Amend Item 3540-301-0660, Provision 5, as follows:

The funds appropriated by Schedules (1), (2), (4), and (5) of this item include funding for construction and preconstruction activities, including, but not limited to, study, environmental documents, preliminary plans, working drawings, equipment, and other costs relating to the design and construction of forest fire station facilities, that may be performed by the Department of Forestry and Fire Protection, subject to the approval of the Department of Finance. While the Department of Forestry and Fire Protection may manage these projects, the projects are subject to review by the State Public Works Board and require authorization to proceed to bid from the Department of Finance.

Staff Recommendation. Staff recommends that the Subcommittee adopt the Governor's trailer bill language with the LAO's proposed provisional language amendments.

3600 Department of Fish and Game

Background. The Department of Fish and Game (DFG) administers programs and enforces laws pertaining to the fish, wildlife, and natural resources of the state. The Fish and Game Commission sets policies to guide the department in its activities and regulates fishing and hunting. The DFG currently manages about 850,000 acres including ecological reserves, wildlife management areas, hatcheries, and public access areas throughout the state.

Governor's Budget. The Governor's Budget proposes \$315 million to support DFG in the budget year. This is about 19 percent less than estimated expenditures in the current year due to a reduction in General Fund and bond funds available for appropriation. General Fund support for the department is proposed to decrease by 40 percent.

Summary of Expenditures <i>(dollars in thousands)</i>	2006-07	2007-08	\$ Change	% Change
Type of Expenditure				
Biodiversity Conservation Program	\$ 302,776	\$ 240,392	-\$62,384	-20.6
Hunting, Fishing, and Public Use	55,413	57,979	2,566	4.6
Management of Lands and Facilities	65,832	56,259	-9,573	-14.5
Conservation Education and Enforcement	52,866	55,336	2,470	4.7
Spill Prevention and Response	32,799	34,137	1,338	4.1
Capital Outlay	1,314	2,922	1,608	122.4
Administration	46,521	40,677	-5,844	-12.6
<i>less distributed administration</i>	<i>-46,512</i>	<i>-40,677</i>	<i>5,835</i>	<i>-12.6</i>
Totals	\$ 511,009	\$ 447,025	-\$63,984	-12.6
Funding Source				
General Fund	\$ 133,078	\$ 78,565	-\$54,513	-40.9
Special Funds	123,416	152,659	29,243	23.7
Bond Funds	133,628	83,996	-49,632	-37.1
<i>Budget Act Total</i>	<i>\$ 390,122</i>	<i>\$315,220</i>	<i>\$-74,902</i>	<i>-19.2</i>
Federal Trust Fund	57,270	57,701	431	0.7
Reimbursements	65,350	69,810	4,460	6.8
Salton Sea Restoration Fund	2,644	2,718	74	2.8
Harbors and Watercraft Revolving Fund	5	5	-	0
Special Deposit Fund	610	1,435	825	135.2
Coastal Wetlands Account	-5,000	136	5,136	-102.7
Total	\$ 511,001	\$ 447,025	-\$63,976	-12.5

1. San Francisco Public Utilities Commission

Background. The San Francisco Public Utilities Commission operates the Hetch Hetchy water project. The Hetch Hetchy supplies water to over 2.4 million people in the San Francisco Bay Area. In 1987, the Secretary of the Interior Donald Hodel proposed the restoration of the Hetch

Hetchy. The San Francisco Public Utilities Commission wants to undertake a study of a water improvement project.

Proposal. The Department of Fish and Game would provide technical assistance as San Francisco Public Utilities Commission plans their projects.

Governor's Budget. The Governor's Budget proposes position authority for one permanent Staff Environmental Scientist position to study, consult, develop, and evaluate environmental mitigation measures for the San Francisco Public Utilities Commission Bay Area Cities Water System Improvements project. This would be a redirected position.

Staff Analysis. Under the California Environmental Quality Act (CEQA), the entity constructing a project is not necessarily the lead agency. The state can be the lead agency for local government or even private projects when the state must grant permits necessary for the project to proceed. The lead agency is liable for financial damages should the project harm the environment. Thus it is in the state's interest to help in completing the environmental documents for projects for which the state is the lead agency.

For this project, the San Francisco Public Utilities Commission is the lead agency. Therefore, the Legislature should not allow the state to prepare CEQA or other environmental documents when the state is not the lead agency.

Staff Recommendation. Staff recommends the Subcommittee approve the budget proposal with the following budget bill language:

The funds appropriated in this item are for review and evaluation of California Environmental Quality Act documents only, and shall not be used for preparation of such documents.

2. Quagga Mussel

Background. A highly invasive fresh-water Quagga Mussel, related to the Zebra Mussel, was discovered in California on January 17, 2007. The Quagga Mussel was found in Lake Havasu and on the Metropolitan Water District intake pumps. The Department of Fish and Game (DFG) has expressed concern that the species could cause potentially wide-spread damage to drinking water pumping systems and other related infrastructure. In addition to damage to infrastructure, the Quagga Mussel eats nutrients out of the water at a high rate and leaves other water-organisms with little food.

Currently, DFG Habitat Conservation Branch is responsible for invasive species management. The Habitat Conservation Branch has two staff members.

April Finance Letter. The April Finance Letter proposes \$5,732,000 General Fund for 16 permanent positions, two limited-term positions, and interagency contract to respond to the Quagga Mussel. Specifically, these funds would be for:

- \$1,531,000 for eight permanent and two limited-term positions for implementing a control and response program in California.
- \$4,201,000 for eight permanent positions to augment the Law Enforcement Division's resources responsible for conducting statewide inspections, conducting checkpoints with inspection areas, and to quarantine boats and other watercraft. Included in this amount is a \$2.5 million reimbursement to the Department of Food and Agriculture for conducting inspections at the Yermo, Needles, Vidal, Blythe, and Truckee stations.

Staff Recommendation. Staff recommends that the Subcommittee approve the budget proposal with the following Supplemental Report Language.

On or before January 1, 2008, the Department of Fish and Game must submit a report to the chairs and vice chairs of the fiscal committees of the Senate and the Assembly on the actions the state has undertaken contain the Quagga Mussel--including actions taken by the Department of Fish and Game, the Department of Boating and Waterways, the Department of Food and Agriculture, the Department of Water Resources, and any other state agency involved in the response to this issue. The report must also include a plan for future action and a cost estimate for those planned actions.

3. Streamflow Money from the State Water Board

Note: The Subcommittee heard this as an informational item on March 26, 2007.

Background. Public Resources Code Sections 10001-10005 recognize the need for adequate stream flows to benefit fish and wildlife. These sections require the California Department of Fish and Game (DFG) to:

- Prepare a list of streams in need of minimum stream flow requirements.
- Initiate at least 10 new studies per year to develop proposed minimum stream flow requirements for listed streams.
- Consult with the State Water Resources Control Board, other agencies, and the public concerning the proposed stream flow requirements.
- Transmit the proposed stream flow requirements to the State Water Resources Control Board for its use in approving water rights applications.

To fund DFG's preparation of these reports, the State Water Resources Control Board (SWRCB) collects \$850 per application or petition (with some exceptions) from water rights applicants and petitioners on behalf of DFG. SWRCB has been collecting these fees for more than 15 years, and currently has pending over 500 water rights applications and over 500 petitions to amend existing water rights.

Current Law. Public Resources Code, Section 10004: "The Department of Fish and Game shall initiate studies to develop proposed streamflow requirements for those streams or watercourses *in each fiscal year for which funds are appropriated* and shall complete studies on each stream or watercourse within three years. It is the intent of the Legislature that the

department develop a program that will *initiate studies on at least 10 streams or watercourses in each fiscal year.*”

Staff Recommendation. Staff recommends that the Subcommittee adopt the following Supplemental Report Language:

On January 10, 2008 the Department of Fish and Game shall provide a report to the Legislature (including budget and fiscal committees from both houses) on the streamflow funds the department received during 2006-07 and how those funds were expended. The report shall identify what streams the department will study in 2008-09.

4. Salmon Regulations

Background. Fish and Game Code Section 2112 requires the development of regulations for species for which a recovery plan has been approved. Though the Coho salmon has an approved recovery plan, the Department of Fish and Game has not yet developed regulations for Coho salmon.

Staff Analysis. Staff anticipates that trailer bill would provide some protection for most salmon, virtually all of which are listed as threatened or endangered under either the federal or state endangered species acts, or both. It would also help address the finding of the National Marine Fisheries Service that the existing Forest Practices Act are inadequate to protect salmon. It also would alleviate the proven multi-year inability of the Board of Forestry to implement regulations.

Staff Recommendation. Staff recommends that the Subcommittee direct staff to write trailer bill language that directs adoption by Department of Fish and Game and California Department of Forestry and Fire Protection of the July 2006 draft Department of Fish and Game regulations pursuant to Section 2112 of the Fish and Game Code.

5. Halibut Bottom-Trawling

Background. SB 1459 (Alpert) established restricted access standards for trawling for halibut and other species. That legislation became effective on January 1, 2006, and the Department of Fish and Game testified on numerous occasions about the cost of that legislation. Additional funding was provided to the Department in the 2007 budget to implement this legislation. The underlying statute for commercial fishing programs is Section 711 of the Fish and Game Code and that section requires that the costs of commercial fishing programs are to be provided in large part from revenues from commercial fishermen.

SB 1459 provided that the Fish and Game Commission would set the fees for the halibut trawling permits, but that until that occurred, the fees could not exceed \$1000 per permit. Currently, the Commission set the fees at \$50.75.

Questions:

1. How much fee revenue has been collected? What are the anticipated revenues for 2007-08?
2. Are the fee revenues collected covering the costs of the program? If not, what fee would cover the costs of the program?

3680 Department of Boating and Waterways

Background. The Department of Boating and Waterways (DBW) is responsible for planning and developing boating facilities on waterways throughout California. It is also responsible for protecting the public's right to safe boating by providing subventions to local law enforcement agencies. The department is also responsible for boating safety and education, licensing yachts, aquatic weed control in the Sacramento-San Joaquin Delta, and beach erosion control along California's coast.

Governor's Budget. The Governor's Budget proposes \$76.7 million to support DBW, which is approximately 12 percent less than expenditures in the current year. (The majority of DBW's budget is not subject to appropriation in the budget act. Only \$500,000 is subject to the Budget Act.) The department is not supported by the General Fund.

Summary of Expenditures				
<i>(dollars in thousands)</i>	2006-07	2007-08	\$ Change	% Change
Type of Expenditure				
Boating Facilities	\$ 59,117	\$ 49,561	-\$9,556	-16.2
Boating Operations	20,519	20,678	159	0.8
Beach Erosion Control	1,641	311	-1,330	-81.1
Capital Outlay	6,045	6,140	95	1.6
Administration	2,447	2,361	-86	-3.5
<i>less distributed administration</i>	<i>-2,447</i>	<i>-2,361</i>	<i>86</i>	<i>-3.5</i>
Total	\$ 87,322	\$ 76,690	-\$10,632	-12.2
Funding Source				
General Fund	\$ -	\$ -	\$ -	0
Special Funds	1,250	500	-750	-60
<i>Budget Act Total</i>	<i>1,250</i>	<i>500</i>	<i>-750</i>	<i>-60</i>
Federal Trust Fund	13,499	10,036	-3,463	-25.6
Reimbursements	1,015	1,015	0	0
Harbors and Watercraft Revolving Fund	71,558	65,139	-6,419	-9.9
Total	\$ 87,322	\$ 76,690	-\$10,632	-13.2

1. Boating and Waterways Funds

Background. The Department of Parks and Recreation has been receiving appropriations from the Harbors and Watercraft Revolving Fund. The proposed 2007-08 budget would provide \$26,649,000 to the department from the Harbors and Watercraft Revolving Fund.

The Department of Boating and Waterways is also funded out of the Harbors and Watercraft Revolving Fund. The Department of Boating and Waterways has argued that due to the fact that the monies in the account come from boaters and that there is a need to replace aging infrastructure they should receive the funds that the Department of Parks and Recreation is currently receiving.

The Harbors and Watercraft Revolving Fund receives money from:

- Annual appropriation from the Motor Vehicle Fuel Account from taxes imposed on distribution of fuel to propel vessels.
- Vessel registration fees.
- Fees received from the licensing of yacht and ship brokers and salesmen.

Current Law. The California statute Harbors and Navigation Code, Section 85.2 (b) (1) states:

The money in the fund shall also be available, upon appropriation by the Legislature, to the Department of Parks and Recreation for the operation and maintenance of units of the state park system that have boating-related activities. Funds appropriated to the Department of Parks and Recreation may also be used for boating safety and enforcement programs for waters under its jurisdiction.

Harbors and Navigation Code, Section 85.2 (b) (2), also states that:

The Department of Parks and Recreation shall submit to the Legislature, on or before January 1 of each year, a report describing the allocation and expenditure of funds made available to the Department of Parks and Recreation from the Harbors and Watercraft Revolving Fund and from the Motor Vehicle Fuel Account in the Transportation Tax Fund attributable to taxes imposed on the distribution of motor vehicle fuel used or usable in propelling vessels during the previous fiscal year.

Staff Recommendation. Staff recommends that the Subcommittee adopt the following Supplemental Report Language:

On January 1, 2008 the Department of Parks and Recreation shall provide a report to the Legislature (including budget and fiscal committees from both houses) on how the department spends the funds it receives from the Harbors and Watercraft Revolving Fund. The report shall include information on the types of parks the department manages with the funds, the types of boating activities available at those parks, and what services the department would potentially eliminate if the funds were no longer appropriated.

3790 Department of Parks and Recreation

Background. The Department of Parks and Recreation (DPR) acquires, develops, and manages the natural, cultural, and recreational resources in the state park system and the off-highway vehicle trail system. In addition, the department administers state and federal grants to local entities that help provide parks and open-space areas throughout the state.

The state park system consists of 277 units, including 31 units administered by local and regional agencies. The system contains approximately 1.4 million acres, which includes 3,800 miles of trails, 300 miles of coastline, 800 miles of lake and river frontage, and about 14,800 campsites. Over 80 million visitors travel to state parks each year.

Summary of Expenditures				
<i>(dollars in thousands)</i>	2006-07	2007-08	\$ Change	% Change
Type of Expenditure				
Support of the Department of Parks and Recreation	\$ 466,148	\$ 382,490	-\$83,658	-17.9
Local Assistance Grants	93,458	44,279	-49,179	-52.6
Capital Outlay	169,174	67,011	-102,163	-60.4
Total	\$ 728,780	\$ 493,780	-235,000	-32.2
Funding Source				
General Fund	\$ 231,630	\$ 150,359	-81,271	-35.1
Special Funds	233,056	202,950	-30,106	-12.9
Bond Funds	139,291	69,403	-69,888	-50.2
<i>Budget Act Total</i>	<i>\$ 603,977</i>	<i>\$422,712</i>	<i>\$-181,265</i>	<i>-30</i>
Federal Trust Fund	77,633	27,241	-50,392	-64.9
Reimbursements	46,136	43,013	-3,123	-6.4
Harbors and Watercraft Revolving Fund	747	814	67	8.9
California Missions Foundation Fund	289	0	-289	-100
Total	\$ 728,782	\$ 493,780	\$-235,002	-32.2

1. New Americans Immigration and Learning Center Reappropriation

Background. The New Americans Immigration and Learning Center (NAIMLC) received a Historical and Cultural Resources Preservation Opportunity Grant in 2002. However, NAIMLC experienced difficulty in securing a site to which the learning center could be located.

Staff Recommendation. Staff recommends that the Subcommittee extend the liquidation period for the NAIMLC grant with the following budget bill language:

3790-490 – Extension of Liquidation Period, Department of Parks and Recreation.

The balance of the appropriation provided in the following citation is reappropriated for the purpose and subject to the limitations, unless otherwise specified, provided for in the following appropriations and shall be available for liquidation of encumbrances until June 30, 2010.

6029 – California Clean Water, Clean Air, State Neighborhood Parks, and Coastal Protection Fund.

(1) Chapter 1126, Statutes of 2002, SEC. 2 (b)

Provisions:

1. The reappropriation is limited to the \$2,500,000 grant to Immigration Museum/New Americans.

2. Bancroft Park, San Diego – Reappropriation

Proposed Language:

Reappropriation, Department of Parks and Recreation. The balance of the appropriation provided for in the following citation is reappropriated for the purposes specified and shall be available for encumbrance or expenditure until June 30, 2009:

0005 -- Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection Bond Fund

(1) Item 3790-101-0005, Budget Act of 2000 (Ch. 52, Stats. 2000)

(a) 80.25 - Recreational Grants

(5) Murray-Hayden Grants

(ux) County of San Diego: Bancroft Park Acquisition and/or Development

Staff Recommendation. Staff recommends that the Subcommittee adopt the proposed reappropriation language.

3835 Baldwin Hills Conservancy

Background. The Baldwin Hills Conservancy (BHC) acquires and manages public lands within the Baldwin Hills area to provide recreational facilities, open space, wildlife habitat restoration, and educational services.

Governor's Budget. The Governor's budget proposes \$3.5 million to support BHC in 2007-08. This is 84 percent less than the estimated expenditures in the current year due to a loss of capital outlay bond funds.

Summary of Expenditures				
<i>(dollars in thousands)</i>	2006-07	2007-08	\$ Change	% Change
Type of Expenditure				
Baldwin Hills Conservancy	\$431	\$440	\$9	2.1
Capital Outlay	24,386	4,050	-20,336	-83.3
Total	\$24,817	\$4,490	-\$20,327	-81.9
Funding Source				
Special Funds	\$321	\$329	\$8	2.5
Bond Funds	22,496	3,161	-19,335	-85.9
<i>Budget Act Total</i>	<i>22,817</i>	<i>3,490</i>	<i>-19,327</i>	<i>-84.7</i>
Reimbursements	2,000	1,000	-1,000	-50.0
Total	\$24,817	\$4,490	-\$20,327	-81.9

1. Trailer Bill Language on Sunset Date

Background. The Baldwin Hills Conservancy (BHC) sunsets on January 1, 2008. The BHC acquires and manages public lands within the Baldwin Hills area in Los Angeles County to provide recreational facilities, open space, wildlife habitat restoration, and educational services. Currently pending legislation, AB 3 (Bass), would repeal the sunset date.

Governor's Budget. The Governor has submitted trailer bill language extending the Baldwin Hills Conservancy for another 10 years. The Governor's budget proposes \$3.5 million to support BHC in 2007-08.

LAO Recommendation. The LAO finds that the BHC is generally fulfilling its statutory duties. While the conservancy has acquired no land and does not manage any public land, it has advanced the statutory goals of increasing public open space and educational, recreational, and habitat preservation and restoration opportunities in the Baldwin Hills area.

However, the LAO further finds that the Legislature's objectives for BHC, as stated in 2000, have not been fully met. Despite a substantial increase in public open space since the BHC's inception, 655 acres of open-space land in the Baldwin Hills area remain susceptible to development that may not be in keeping with the public purposes for these lands—open space, education, recreation, and wildlife and habitat conservation—envisioned by Chapter 428. In addition, despite the completion of significant projects that increase opportunities for recreation, education, and ecological preservation in the area, recently acquired public lands in the Baldwin Hills area remain largely unrestored or undeveloped and unusable by the public.

The LAO recommends extending the sunset date for the BHC by five years, to January 1, 2013. The LAO believes this operating period is appropriate, given that the conservancy has been through the “development” period to establish itself as a conservation resource in the Baldwin Hills area. The LAO expects the conservancy to capitalize on existing relationships with surrounding communities, area governments, and local property owners, so that public land acquisition and development would occur more quickly during the conservancy's second operating period than it did during the first.

The LAO also recommends that the Legislature require a review, prior to the new sunset date, of the conservancy's effectiveness and progress towards fulfilling its statutory objectives during the period. This review would provide the Legislature with a basis on which to determine whether the conservancy structure continues to be the appropriate one for addressing land conservation goals in the Baldwin Hills area.

Staff Recommendation. Staff recommends the Subcommittee adopt trailer bill language to extend the Baldwin Hills Conservancy's sunset date by five years to January 1, 2013. Staff also recommends that the Subcommittee adopt the following Supplemental Report Language:

Not later than January 1, 2012, the Baldwin Hills Conservancy shall provide a report to the Legislature (including budget and fiscal committees from both houses) on its activities and accomplishments towards meeting statutory goals since 2007. The Legislative Analyst's Office shall review and critique the Baldwin Hills Conservancy's report, and report on the findings of its review, along with any recommendations, including whether the Conservancy should be extended beyond its statutory sunset date, in its *Analysis of the 2012-13 Budget Bill*.

3360 Energy Resources Commission

Background. The Energy Resources Conservation and Development Commission (commonly referred to as the California Energy Commission or CEC) is responsible for forecasting energy supply and demand; developing and implementing energy conservation measures; conducting energy-related research and development programs; and siting major power plants.

Governor's Budget. The Governor's Budget proposes \$399 million to support CEC in 2007-08. The proposed budget is approximately 18 percent less than estimated expenditures in the current year due to a reduction in renewable energy and PIER funding. The department does not receive any General Fund support.

Summary of Expenditures					
<i>(dollars in thousands)</i>	2006-07	2007-08	\$ Change	% Change	
Type of Expenditure					
Regulatory and Planning	\$ 27,025	\$ 27,757	\$ 732	2.7	
Energy Resources Conservation	33,989	47,510	13,521	39.8	
Research and Development	451,043	343,556	-107,487	-23.8	
Administration	13,653	13,199	-454	-3.3	
<i>less distributed administration</i>	-13,653	-13,199	454	-3.3	
<i>less loan repayments</i>	-2,422	-1,522	900	-37.1	
Total	\$ 509,635	\$ 417,301	-\$92,334	-18.1	
Funding Source					
General Fund	\$0	\$0	\$0	0	
Special Funds	491,912	399,166	-92,746	-18.8	
<i>Budget Act Total</i>	491,912	399,166	-92,746	-18.8	
Federal Funds	11,978	12,390	412	3.4	
Reimbursements	5,745	5,745	0	0	
Total	\$ 509,635	\$ 417,301	-\$92,334	-18.1	

1. Provide Photovoltaic and Energy Efficiency Project Funding and Assistance to California's K-12 Schools

Background. The Williams settlement agreement was entered into between the California Attorney General and the Williams Energy Marketing & Trading Company to settle a lawsuit filed against Williams by the Attorney General. Under the settlement, Williams will pay approximately \$69 million to the state.

The California Energy Commission (CEC) is proposing to use the funds from the Williams settlement for a photovoltaic and energy efficiency program for public K-12 schools. This new program will provide grants, loans, and technical support contracts for combined photovoltaic and energy efficiency projects. This new program is proposed to be marketed and offered jointly with the CEC's existing Energy Conservation Assistance Account.

A portion of the funds would be used for a loan program for K-12 schools to purchase solar panels. The loan program will have repayments of no more than 30 equal semi-annual payments. These payments will reflect the energy savings of the project with a payback period averaging 12 years.

Governor's Budget. The Governor's budget proposes to use \$24.8 million of Williams Energy settlement funds to fund a new Photovoltaic (PV) and Energy Efficiency program for public K-12 schools. The Governor's budget, as part of those funds, proposes to use \$1,061,000 from the State Energy Conservation Assistance Account for four permanent positions to administer the Photovoltaic and Energy Efficiency Project for K-12 schools.

LAO Recommendation. The Legislature passed AB 2756 (Levine) which created a plan to expend Williams Energy settlement funds for energy efficiency retrofits of public schools and buildings. The legislation directed CEC, upon legislative appropriation, to provide grants to K-12 public schools and public universities or community colleges, based on specific criteria and expectations, for various energy conservation projects. The bill did not specify a specific energy technology, but rather allowed the schools to select the most effective energy efficiency projects to be submitted for grant consideration. The legislation was vetoed by the Governor in 2006.

Consistent with legislative intent in AB 2756, the LAO thinks that settlement funds should be awarded for a broader array of energy efficiency upgrades, beyond those that are PV in nature. Examples of other types of energy efficiencies are retrofitting heating and cooling systems, replacing lighting fixtures, improving insulation, and using alternative building materials.

To ensure legislative oversight and consistency with legislative intent for the use of the Williams Energy settlement funds, the LAO recommends that the budget request be denied and instead recommend the enactment of legislation directing the use of Williams Energy settlement funds (in accordance with the settlement agreement), such as was done in AB 2756.

Staff Recommendation. Staff recommends that the Subcommittee reject the budget proposal.

2. Transmission Corridor Zone Designation Process

Background. In its 2003 Energy Report, the California Energy Commission (CEC) noted that existing transmission planning and permitting processes lack important elements to assure that critically needed transmission infrastructure is approved and constructed in a timely manner to meet the state's growing demand for electricity. SB 1059 (Escutia, 2006) provided CEC with the authority to designate transmission corridor zones for future use to accommodate the needed electric transmission lines. The CEC can designate a transmission corridor zone on its own motion or by an application from an entity planning to construct a high-voltage electric transmission line within California.

In order to ensure that it can move forward with designating transmission corridor zones, the CEC intends to:

- Identify the long-term needs for electric transmission corridor zones within the state.
- Work with federal, state, and local agencies; stakeholders; and the public to study transmission corridor zone alternatives and designate appropriate transmission corridor zones for future use to ensure reliable and efficient delivery of electricity for California's residents.
- Integrate transmission corridor zone planning and designation at the state level with local land use planning processes, so that designated transmission corridor zones are considered by cities and counties when they are making land use decisions.

Governor's Budget. The Governor's Budget proposes \$536,000 from the Energy Resources Program Account for four permanent positions in 2007-08, and proposes \$1,019,000 from the Energy Resources Program Account for four additional permanent positions in 2008-09.

Staff Recommendation. Staff recommends the Subcommittee approve the budget proposal.

8660 Public Utilities Commission

Background. The California Public Utilities Commission (CPUC) is responsible for the regulation of privately owned "public utilities," such as gas, electric, telephone, and railroad corporations, as well as certain video providers and passenger and household goods carriers. The commission's primary objective is to ensure adequate facilities and services for the public at equitable and reasonable rates. The commission also promotes energy conservation through its various regulatory decisions.

Governor's Budget. The Governor's Budget proposes \$1.2 billion to support the CPUC in the budget year. This is approximately the same level of funding as is estimated for expenditure in the current year. The commission does not receive any General Fund support.

Summary of Expenditures				
<i>(dollars in thousands)</i>	2006-07	2007-08	\$ Change	% Change
Type Expenditure				
Regulation of Utilities	\$ 375,297	\$ 381,501	\$ 6,204	1.6
Universal Service Telephone Programs	897,408	884,615	-12,793	-1.4
Regulation of Transportation	18,637	20,458	1,821	9.7
Administration	21,781	26,247	4,466	20.5
<i>less distributed administration</i>	<i>-21,781</i>	<i>-26,247</i>	<i>-4,466</i>	<i>20.5</i>
Total	\$ 1,291,342	\$ 1,286,574	-\$4,768	-0.4
Funding Source				
General Fund	\$0	\$0	\$0	0
Special Funds	1,277,329	1,269,575	-7,754	-0.6
<i>Budget Act Total</i>	<i>1,277,329</i>	<i>1,269,575</i>	<i>-7,754</i>	<i>-0.6</i>
Federal Funds	1,209	1,702	493	40.8
Reimbursements	12,786	15,297	2,511	19.6
Total	\$ 1,291,324	\$ 1,286,574	-\$4,750	-0.4

1. Increase Number of Rail Crossing Safety Staff

Background. The Public Utilities Commission (PUC) has statutory authority over approximately 14,200 highway and railroad crossings. As part of its responsibilities, the PUC determines the design of the crossings and the location of the crossings, as well as the terms of installation, operation maintenance, use, and warning devices.

In April 2005, the PUC issued its first-ever Rail Safety Action Plan. This plan included components for increasing railroad crossing safety, including:

- Identifying new construction projects that adversely impact rail safety and then initiating informational and other actions to ensure that rail safety is addressed before the project is built.
- Collecting and analyzing data on “near miss” incidents relative to rail crossings and along the rail right-of-way.
- Investigate rail-related fatalities and significant accidents, and apply the lessons learned to rail crossing diagnostic reviews, to rail corridor safety enhancements, and to operational safety enhancements that advance the cause of rail safety.
- Issue public reports regarding the root causes and significant contributing factors of all accidents investigated.

In 2006, there were 143 deaths related to rail crossings and people walking on the rails. During the same time period, there were another 417 injuries related to rail crossings and rail trespassing. Currently, the PUC has a staff of 19 positions to work on rail safety. However, in 2000-01, the PUC had a staff of 25 positions to work on rail safety.

Governor’s Budget. The Governor’s Budget proposes \$86,000 in State Highway Account funds for one permanent position to increase rail crossing safety oversight activities.

Staff Analysis. At the April 9 hearing Senator Steinberg expressed concerns that with 143 deaths annually only one position was being added to work on rail crossing safety oversight activities. Since working on ensuring that new developments adjacent to railroads have safe crossings is important, and in the past the PUC had more positions for rail safety, staff believes that adding two positions to the Governor’s proposal would be appropriate.

Staff Recommendation. Staff recommends the Subcommittee approve the Governor’s budget proposal and add two positions at \$172,000 for a total cost of \$258,000.

2. Electricity Market Design

Background. The California electricity industry was deregulated in 1996. The 2000-2001 electricity crisis prompted the Legislature to pass, and the Governor to sign, emergency legislation AB 1X, which suspended some of the aspects of deregulation. Among the deregulation suspended was the ability of customers to sign up for direct access (competitive retail providers). These regulations will not be reinstated until 2014, when the Department of Water Resources electricity contracts expire.

Since the 2000-2001 crisis, the Public Utilities Commission (PUC) has been working on encouraging a “hybrid” market design. Currently, PUC staff is working on more stringent resource adequacy requirements and a capacity market structure.

Governor’s Budget. The Governor’s Budget proposes \$408,000 from the Public Utilities Commission Utilities Reimbursement Account (\$307,000 one time, \$101,000 on-going) for one permanent position and consultant contracts.

The analyst will be working on a plan to reopen retail electric competition in California.

LAO Recommendation. The LAO thinks it is premature and beyond the jurisdiction of CPUC to begin investigation and evaluation of a market design without further statutory direction from the Legislature. The LAO therefore recommends the Legislature deny the budget request.

Staff Analysis. Reopening the California electric retail market to competition is a policy choice with great financial and market implications for California, electricity providers, and ratepayers. This discussion should take place in the policy process with legislation that could be debated by all Senators.

Staff Recommendation. Staff recommends the Subcommittee reject this budget proposal.

3. Increase Staff to Form a Federally Funded Critical Infrastructure Security Team to Protect California Infrastructure and Key Resources

Background. June 2006, the United States Department of Homeland Security (USDHS) released the National Infrastructure Protection Plan (NIPP). NIPP sets national priorities, goals, and requirements to effectively distribute funding and resources in the event of a terrorist attack or other disaster.

The PUC wants to create a Critical Infrastructure Security team within its Consumer Protection Division. This team would be responsible for ensuring that California utilities, railroads, and rail transit properties are equitably included in the plan. The NIPP does point out that state public utilities commissions are generally well-placed to handle these responsibilities.

Governor’s Budget. The Governor’s Budget proposes \$500,000 in Federal Trust Fund for four permanent positions to staff a new critical infrastructure security team.

LAO Recommendation. The LAO finds the proposed duties of the new branch are often very broad, typically vague, and lacking a clear purpose. The PUC has stated that municipal utilities, currently not regulated by the PUC, would be included in this program. The inclusion of municipal utilities is an expansion of authority for the commission.

The LAO also finds that the federal funding proposed to support this new program is highly uncertain. According to the PUC, there is no certainty that federal funds will be allocated to this effort, and those federal funds the PUC has identified as potentially available may require matching state funds. Given the uncertainty of federal funding, the lack of clear duties, and an apparent expansion of the commission's jurisdiction without statutory authorization—the LAO recommends the Legislature deny the request.

Staff Analysis. Staff has requested information from the PUC as to how the department will work with the Department of Homeland Security so as not to duplicate tasks and act with the greatest efficiency possible in time of crisis. The PUC has indicated that it is in the process of drafting a memorandum of understanding (MOU) with the Department of Homeland Security, but that the MOU is not complete. Staff recommends holding this item open to give the PUC more time to respond to these questions.

The department has submitted a revised proposal to staff. The revised plan deals with planning security for the railroads. The revised plan requests 2 positions and \$313,654 from the Public Utilities Commission Transportation Reimbursement Account. The Department of Finance has not communicated its support of the plan to staff.

In addition, this proposal has not been reviewed by the Office of Emergency Services or the Department of Homeland Security. The Legislature should wait for such reviews to ensure that the state is not duplicating efforts and that the response plans are compatible with other agencies' plans.

Staff Recommendation. Staff recommends that the Subcommittee reject the budget proposal.

4. Data Center Restructuring

Background. After four disruptions to its data system over the course of three months, the Public Utilities Commission (PUC) hired TechProse (IT consultants) to investigate the disruptions of service, analyze the underlying causes, and develop an Information Services Branch Information Technology Strategic Plan. The improvements recommended in the plan will be conducted in three phases, the total cost of which is not known to the PUC.

Governor's Budget. The Governor's Budget proposes \$765,000 from various special funds (\$176,000 on-going, \$589,000 one-time) for Phase I of the Information Technology Strategic Plan. Specifically, the funds would be used for:

- \$70,000 – Conduct a data center redesign and expansion study.
- \$25,000 – Perform a full review of the heating/ventilation air conditioning in the data center and closets.
- \$150,000 – Purchase and install a dedicated emergency power backup system to its IT environment.
- \$180,000 – Establish a dedicated development and testing lab.
- \$150,000 – Perform a server/desktop network upgrade at the San Francisco headquarters office.

- \$190,000 – Establish two new positions in the Network Administration Unit. The first position would be a Senior Information Systems Analyst Supervisory to add a mid-management layer and the second would be an Associate Information Systems Analyst to perform change management functions, such as fixes and software upgrades.

Staff Analysis. Many of the requested improvements to the information technology branch are not useful if conducted prior to the study on data center redesign and expansion. The study could recommend different approaches to the data center configuration and technology used that may make some of the upgrades proposed in this budget request outdated.

Also, in another budget request, titled *Infrastructure Improvements and Repairs*, the PUC indicated that they will use alternative funding mechanisms to purchase an \$180,000 backup generator for the entire building. Funding a separate emergency power backup system for the IT environment only would be unnecessary given the other generator that will be purchased.

The PUC today has four fewer IT specialists than it did in 1996. However, the state's reliance on information technology has grown greatly since the 1990s as the public's reliance on the Internet as a source of information grows, and as nearly all agency workers use computers to complete some or all aspects of their job. Thus, increasing the number of IT workers at the PUC is warranted.

Given that many of the proposed repairs are too early to contemplate prior to the completion of the study, staff recommends reducing the funding to the data center redesign and expansion study, the HVAC study, and the two new positions.

Previous Subcommittee Action. On April 9 the Subcommittee approved \$285,000 from the Public Utilities Commission Utilities Reimbursement Account for the data center redesign and expansion study; for performing a full review of the heating/ventilation air conditioning in the data center and closets; and for the two requested positions.

Staff Recommendation. Staff recommends that the Subcommittee also approve \$180,000 for establishing a dedicated development and testing lab.

5. Division of Ratepayer Advocates – Auditors

Background. The Division of Ratepayer Advocates (DRA) is an independent entity within the California Public Utilities Commission. DRA is charged with advocating on behalf of the customers of regulated utilities to ensure the lowest possible utility rates, consumer protection, service quality, and safety and reliability. Unique to DRA is participation in all PUC proceedings where DRA represents consumer interests. DRA works on energy matters (electric and gas), water rates and services, and telecommunications.

DRA undertakes numerous advocacy activities on behalf of utility consumers. Among these advocacy activities are audits of all proposed utility rate increases and past expenditures by providers.

Staff Recommendation. Staff recommends the Subcommittee increase the DRA budget by \$300,000 for 3 auditors from the Public Utilities Commission Ratepayer Advocate Account. Staff also recommends the Subcommittee adopt the following budget bill language:

The amount of \$300,000 is for auditor positions at the Division of Ratepayer Advocates within the Public Utilities Commission.

3940 State Water Resources Control Board

Background. The State Water Resources Control Board (SWRCB), in conjunction with nine semi-autonomous regional boards, regulates water quality in the state. The regional boards—which are funded by the state board and are under the state board's oversight—implement water quality programs in accordance with policies, plans, and standards developed by the state board.

The board carries out its water quality responsibilities by: (1) establishing wastewater discharge policies and standards; (2) implementing programs to ensure that the waters of the state are not contaminated by underground or aboveground tanks; and (3) administering state and federal loans and grants to local governments for the construction of wastewater treatment, water reclamation, and storm drainage facilities. Waste discharge permits are issued and enforced mainly by the regional boards, although the state board issues some permits and initiates enforcement actions when deemed necessary.

The state board also administers water rights in the state. It does this by issuing and reviewing permits and licenses to applicants who wish to take water from the state's streams, rivers, and lakes.

Governor's Budget. The Governor's Budget proposes \$657 million to support the SWRCB in the budget year. This proposal is approximately \$112 million less than current year expenditure levels, mainly due to a reduction in bond funding. General Fund appropriation is expected to stay nearly the same.

Summary of Expenditures				
<i>(dollars in thousands)</i>	2006-07	2007-08	\$ Change	% Change
Type of Expenditure				
Water Quality	\$ 927,734	\$ 823,408	-\$104,326	-11.3
Water Rights	13,642	11,137	-2,505	-18.4
Administration	18,950	18,890	-60	-0.3
<i>less distributed administration</i>	<i>-18,950</i>	<i>-18,890</i>	<i>60</i>	<i>-0.3</i>
Total	\$ 941,376	\$ 834,545	-\$106,831	-11.4
Funding Source				
General Fund	\$ 39,091	\$ 39,102	\$ 11	0
Special Funds	362,715	362,980	265	0.1
Bond Funds	367,641	254,966	-112,675	-30.6
<i>Budget Act Total</i>	<i>769,447</i>	<i>657,048</i>	<i>-112,399</i>	<i>-14.6</i>
Federal Trust Fund	128,877	128,578	-299	-0.2
Reimbursements	9,999	9,999	0	0
State Water Quality Control Fund	23,309	29,495	6,186	26.5
State Water Pollution Control Revolving Fund	-2,682	-2,682	0	0
Petroleum Underground Storage Tank Financing Account	12,426	12,107	-319	-2.6
Total	\$ 941,376	\$ 834,545	-\$106,831	-11.4

1. Data Management IT Systems

LAO Analysis. Like any modern organization, the State Water Board and the nine regional water boards rely upon IT for many of their core business functions. The SWRCB IT systems serve a variety of purposes, including administrative functions, permitting and enforcement systems, water quality monitoring, and providing public access to water quality and enforcement data (through the Internet). The boards are constantly revising, updating, and adding to their IT systems. Currently, at least five separate IT projects are currently in progress, with one-time development costs projected to total about \$3.7 million for these projects.

On numerous occasions, the Legislature has stressed the fundamental role that management of data—including permitting, enforcement, and water quality—at the boards plays in assisting the board to carry out its mission. This is critical to informing the board’s decision making, and the public-at-large, and in effectively targeting resources to program areas most in need.

Strategic Plan Needs Update. Every state department is required to have a strategic plan to guide its IT activity, known as an Agency Information Management Strategy (AIMS) report. The purpose of this strategic plan is to ensure that departments have a clear direction with respect to IT, including identification of priorities. Along with its use internally to state departments, the plan is submitted to the Department of Finance to assist in its review of the budget. The board has indicated that its AIMS is outdated, and that a new IT plan is needed. Furthermore, the LAO notes, the board has changed its IT strategy and a revised AIMS report must be prepared when there is a significant change in IT strategy. This plan is particularly important at SWRCB because, as the board adopts IT systems pursuant to the plan, the nine regional boards are then required to use these IT systems to accomplish their goals.

Legislative Oversight Circumvented. In past years, the Legislature, through the budget process, has reviewed IT proposals from the water boards. Most notably, a proposal for an upgrade to the core permitting and enforcement database was presented at hearings on the 2002-03 budget but was rejected by the Legislature for funding based on the design of the system. Shortly thereafter, the board developed a contract with the federal government, wherein a system similar to the one rejected by the Legislature would be designed by the board under federal contract with certain development costs to be paid directly by the federal government. In other words, the board proceeded with an IT project that the Legislature rejected by going outside the budget process. In subsequent years, the board administratively directed program funds to continue the project, making legislative review difficult.

The original purpose of this IT system—referred to as CIWQS—was solely to automate federal permitting for pollution discharges. (The state is delegated responsibility for issuing and enforcing federal water quality permits.) The project, however, has expanded significantly over time. The LAO identified total costs of about \$4.6 million to develop and maintain CIWQS at the state board, of which only \$1.7 million has been paid for by the federal government. Ongoing maintenance and operation costs are being paid by the state from special funds (mainly fees) as part of the board's permitting and enforcement activities. The LAO estimates \$738,000 would be used to maintain the system in the budget year.

Data Entry Backlog. The original scope of the CIWQS project was to automate the federal permitting process. However, the state board has expanded the scope of CIWQS by beginning to link various other existing data management programs, including those used by regional boards, to the CIWQS system. For example, data entry related to state water quality permits issued at the regional board level must now tie into CIWQS. Moreover, the board has a number of new IT projects under development, each of which is specifically designed to link with CIWQS and will generally require the regional boards to change the way they conduct data entry.

While some regional boards have integrated well with the new scope of the program, others have struggled. For example, one regional board halted all data entry into the new system for six months because it was unsure of how the system would be used in the future. This board still uses a duplicate paper-trail system in addition to the new automated system for day-to-day activities, which is inefficient and adds unnecessarily to costs.

The ongoing expansion of the scope of CIWQS exacerbates backlogs in data entry that have developed at the regional board level, particularly related to permitting, enforcement, and water quality monitoring data. Because of backlogs in data entry that would otherwise provide regional board staff with a picture of the state of water quality in their areas, they may not be targeting their resources as effectively as possible. This data backlog is also problematic because it creates the potential for the public to be misled as it uses the Internet to seek water quality-related information. For example, where backlogs occur with only partial data being put on the Internet, it would not be clear to the public that the information they are viewing contains gaps or is outdated.

LAO Recommendation. The LAO finds that the board's basis for adopting new IT projects is unclear and the Legislature has no basis on which to review how new IT projects fit into the board's overall IT strategy. Based on this, the LAO recommends the adoption of budget bill language requiring the board to update its AIMS report and prohibiting expenditures for new IT projects until the report is updated and submitted for legislative review. The LAO recommends:

Item 3940-001-0001. No money appropriated in this item or any other items appropriating funds to the State Water Resources Control Board, can be used for new information technology projects until the board's Agency Information Management Strategy is updated to reflect the board's current information technology strategy and submitted to the Joint Legislative Budget Committee no sooner than 30 days prior to any spending on information technology projects.

In addition, the LAO thinks that legislative oversight of the board's IT projects would be significantly enhanced if the board were required to submit an IT implementation plan in conjunction with the submittal of the annual Governor's budget. This plan should include information on ongoing and proposed IT projects, one-time design and development costs, and ongoing maintenance costs. The LAO, therefore, recommends the adoption of budget bill language requiring the board to submit an IT implementation plan as part of the submittal of the annual Governor's budget.

Also, the users of CIWQS, including regional boards, regulated entities, and the public, have raised concerns to the state board about CIWQS, prompting the board to request an external review of this IT project to be completed in May 2007 by external program experts. The LAO thinks the Legislature should receive an unabridged version of this review, and the LAO therefore recommends that the board present the Legislature with the review at the same time as it is presented to the state board. This assessment would help the Legislature evaluate CIWQS and associated major IT projects at the board and assess the corrective actions the board is taking to address the identified problems with its IT programs.

The LAO additionally recommends that the board report at budget hearings on the extent of the CIWQS backlog and its plans to reduce it in the budget year.

Previous Subcommittee Action. On April 23, the Subcommittee adopted the following budget bill language and directed staff to work on additional budget bill language:

On January 10, 2008, the State Water Resources Control Board shall provide to the Joint Legislative Budget Committee and the fiscal committees of each house of the Legislature a report with information regarding the board's information technology projects. The report will include information on ongoing and proposed IT projects, one-time design and development costs, and ongoing maintenance costs.

Staff Recommendation. Staff recommends the Subcommittee adopt the following budget bill language:

Item 3940-001-0001. No money appropriated in this item or any other items appropriating funds to the State Water Resources Control Board, can be used for new information technology projects modules related to the California Integrated Water Quality System (CIWQS) or any CIWQS modules, until the board's Agency Information Management Strategy is updated to reflect the board's current information technology strategy and submitted to the Joint Legislative Budget Committee no sooner than 30 days prior to any spending on information technology modules projects.

2. Proposition 13 and Proposition 50 Funding

Background. The State Water Board has adopted guidelines for the implementation of Proposition 13 and Proposition 50 local assistance grant funds. The guidelines establish a competitive process and criteria for selecting projects. State Water Board staff inspects projects during and after construction and reviews progress reports and invoices.

According to the California State Treasurer's Office, as of June 1, 2006, there are still \$27.6 million in unissued general obligation bonds for the Water Conservation and Water Quality Bond Law of 1986. The State Water Board informs staff that this is because these bond funds are specified to be loans, and the board has trouble finding interested applicants (most local agencies prefer grants).

Governor's Budget. The Governor's Budget proposes a total of \$132,542,000 from Proposition 13, Proposition 50, and 1986 Bond funds. Of these funds, \$35,552,001 is a reappropriation and \$96,991,000 is new funding. The funds are proposed as follows:

- 1986 Water Quality Bond – \$2.2 million local assistance reappropriation for agricultural drainage loans
- 1986 Water Quality Bond – \$4.6 million local assistance appropriation for agricultural drainage loans
- Proposition 13 – \$7,464,507 local assistance reappropriation for wastewater construction, coastal non-point source pollution control, and Southern California Integrated Watershed Program
- Proposition 13 – \$1,036,000 local assistance appropriation for water recycling
- Proposition 50 – \$25,887,494 local assistance reappropriation for water recycling and Integrated Regional Water Management

- Proposition 50 – \$91,355,000 local assistance appropriation for water recycling and Integrated Regional Water Management

April Finance Letter. An April Finance Letter proposes to augment the Governor’s proposed budget by adding \$2.4 million for Proposition 13 local assistance, adding \$1.9 million for Proposition 40 local assistance, and reducing \$145,000 from Proposition 50 local assistance.

Projects Ready for Funding. The \$82 million for Integrated Regional Water Management projects would be provided to projects that have already been approved by the State Water Board. These projects represent \$75 million in funding. The rest of the funds would be granted to projects that have not yet been approved by the State Water Board. The approved projects are:

- \$25 million – Santa Ana Watershed Project Authority
- \$12.5 million – Tahoe Resource Conservation District
- \$12.5 million – Contra Costa Water District
- \$12.5 million – Monterey County Water Resources Agency
- \$12.5 million – Community Foundation of Santa Cruz County

Staff Recommendation. Staff recommends that the Subcommittee approve the budget proposal with budget bill language that specifies that projects that applied in the first round of funding, but were left by the department for the second round of funding shall receive priority in consideration for funding.

3960 Department of Toxic Substances Control

Background. The Department of Toxic Substances Control (DTSC) regulates hazardous waste management, cleans up or oversees the cleanup of contaminated hazardous waste sites, and promotes the reduction of hazardous waste generation. The department is funded by fees paid by persons that generate, transport, store, treat, or dispose of hazardous wastes; environmental fees levied on most corporations; the General Fund; and federal funds.

Governor's Budget. The Governor's Budget proposes \$144 million to support the DTSC in 2007-08. This is 2.5 percent less than estimated expenditures in the current year. This reduction is due to a decrease in General Fund appropriations.

Summary of Expenditures				
<i>(dollars in thousands)</i>	2006-07	2007-08	\$ Change	% Change
Type of Expenditure				
Site Mitigation and Brownfields Reuse	\$ 102,137	\$ 106,047	\$ 3,910	3.8
Hazardous Waste Management	66,999	65,711	-1,288	-1.9
Science, Pollution Prevention, and Technology	10,593	11,178	585	5.5
State as Certified Unified Program Agency	1,199	1,271	72	6
Capital Outlay	3,963	0	-3,963	-100
Administration	31,475	33,217	1,742	5.5
<i>less distributed administration</i>	<i>-31,475</i>	<i>-33,217</i>	<i>-1,742</i>	<i>5.5</i>
Total	\$ 184,891	\$ 184,207	-\$684	-0.4
Funding Source				
General Fund	\$ 32,453	\$ 25,321	-\$7,132	-21.9
Special Funds	115,480	118,953	3,473	3
<i>Budget Act Total</i>	<i>147,933</i>	<i>144,274</i>	<i>-3,659</i>	<i>-2.5</i>
Federal Funds	26,567	27,801	1,234	4.6
Reimbursements	10,391	10,632	241	2.3
Stringfellow Insurance Proceeds Account	0	1,500	1,500	100
Total	\$ 184,891	\$ 184,207	-\$684	-0.4

1. Board of Equalization Fee Collection and Fund Shift

Background. The *2006-07 Budget Act* included trailer bill language that expanded the types of businesses subject to the environmental fee. The new entities subject to the fee include limited liability companies, limited partnerships, limited liability partnerships, general partnerships, and sole proprietorships. There are expected to be about 6,600 new fee-payers. The fee collection will begin in 2008.

The Board of Equalization collects all of DTSC's fees. The Board of Equalization commingles its collection activities associated with the environmental fee and the hazardous waste industry fees, and has not been able to provide DTSC with actual cost data differentiated between these two fee categories.

Governor's Budget. The Governor's Budget proposes \$268,000 (\$68,000 one-time) from the Toxic Substances Control Account to pay the Board of Equalization for expanding Environmental Fee collection.

The Governor's Budget also includes a funding shift of \$2,931,353 from the Hazardous Waste Control Account to the Toxic Substances Control Account to pay for Board of Equalization fee collection services from the appropriate account.

Proposed Trailer Bill Language. The Governor's Budget includes trailer bill language that would eliminate existing statute requiring that appropriation from the Toxic Substances Control Account for the administration and collection of fees be limited to \$500,000. The trailer bill language also would limit the payment for fee collection to the expenses incurred in collecting fees for deposit to the Hazardous Waste Control Account.

Staff Recommendation. The Department of Finance has submitted revised trailer bill language that addresses earlier technical concerns. Staff recommends that the Subcommittee approve the proposal.

8570 Department of Food and Agriculture

Background. The California Department of Food and Agriculture (CDFA) provides services to both producers and consumers of California's agricultural products in the areas of agricultural protection, agricultural marketing, and support to local fairs. The purpose of the agricultural protection program is to prevent the introduction and establishment of serious plant and animal pests and diseases. The agricultural marketing program promotes California's agricultural products and protects consumers and producers through the enforcement of measurements, standards, and fair pricing practices. Finally, the department provides financial and administrative assistance to county and district fairs.

Governor's Budget. The Governor's Budget proposes \$242 million to support CDFA in 2007-08. This is approximately \$9 million less than the level of expenditures estimated in the current year. This decrease is primarily due to a reduction in special funds.

Summary of Expenditures

(dollars in thousands)

	2006-07	2007-08	\$ Change	% Change
Type of Expenditure				
Agricultural Plant and Animal Health, Pest Prevention, and Food Safety Services	\$ 172,586	\$ 160,947	- \$ 11,639	-6.7
Marketing and Commodity and Agricultural Services	68,736	58,993	-9,743	-14.2
Assistance to Fair and County Agricultural Activities	60,817	26,621	-34,196	-56.2
General Agricultural Activities	-	43,149	43,149	100.0
Capital Outlay	24,395	3,611	-20,784	-85.2
Administration	14,561	14,029	-532	-3.7
<i>less distributed administration</i>	<i>-13,376</i>	<i>-12,826</i>	<i>550</i>	<i>-4.1</i>
Total	\$ 327,719	\$ 294,524	-\$33,195	-10.1

Funding Source

General Fund	\$ 101,699	\$ 99,261	-\$2,438	-2.4
Special Funds	148,529	141,955	-6,574	-4.4
Bond Funds	1,180	1,178	-2	-0.2
<i>Budget Act Total</i>	<i>\$251,408</i>	<i>\$242,394</i>	<i>-\$9,014</i>	<i>-3.6</i>
Federal Trust Fund	42,779	38,762	-4,017	-9.4
Public Building Construction Fund	18,356	-	-18,356	-100.0
Harbors and Watercraft Revolving Fund	1,296	1,336	40	3.1
Reimbursements	13,879	12,032	-1,847	-13.3
Total	\$ 327,718	\$ 294,524	-\$33,194	-10.1

1. High Risk Pest Exclusion – Informational Item

Background. Exotic pests are capable of tremendous amounts of damage to native habitats and agricultural crops.

Governor's Budget. The Governor's Budget includes \$3,977,000 for high risk pest exclusion activities, the same level of funding as in 2006-07.

Staff Recommendation. Informational item, no recommendation at this time.

CALFED

1. South Delta Improvement Program

Background. The South Delta Improvement Program aims to regulate water levels in the San Joaquin River. The proposed project consists of permanent operable gates at the Middle River, Old River near Tracy, Grantline Canal, and Old River near the San Joaquin River. The program is designed to improve conditions for the San Joaquin salmon by reducing their movement into the south Delta via Old River, maintain adequate water levels and through water circulation, quality for agricultural diversions in the south Delta, and increase the SWP operational flexibility by raising the Delta export limit.

The National Marine Fisheries Service on January 11, 2007 denied the State of California permits for the four South Delta operable gates. The justification for denying the permits was that the state had not comprehensive plan for the Delta, and a piecemeal approach to ecosystem management would not be permitted. The loss of the South Delta adjustable dams permit means that in order to maintain water quality less water can be pumped out of the Delta. The Delta supplies water to approximately 23 million people.

The total project cost is estimated as \$50.25 million.

Governor's Budget. The Governor's Budget proposes \$31.4 million in bond funds for the working drawings and Phase I construction of water gates on the San Joaquin River. The funds would be:

- \$14,440,000 in Proposition 13 bond funds for working drawings.
- \$16,960,000 in Proposition 50 bond funds for Phase I construction.

LAO Recommendation. The LAO recommends the Legislature deny the budget request for three reasons:

1. **Missing Report** – The *2006-07 Budget Act* appropriated \$41.6 million in bond funds for the South Delta Improvement Program but included language prohibiting the expenditure of the funds until the Secretary of Resources submitted a specified report to the Legislature. The report was supposed to include actions that the Secretary will take, other than study, to stabilize the ecosystem in the Delta and to address an identified pelagic organism decline (POD). The intent of the language was to put on hold the development of the South Delta Improvement Program until the impacts of pumping from the Delta on POD could be addressed. The report has not yet been submitted.
2. **Lack of Cost-Sharing** – The cost-sharing agreements with the federal government and the State Water Project contractors who benefit directly from the program have not been secured. The budget documentation submitted to the Legislature states that such cost sharing is the “preferred” way to fund the program, and that it would be “unacceptable” for the state to be the sole funding entity. However, the department has not received funding commitments from either the federal government or State Water Project contractors.

3. **Denied Permit** – The federal Fish and Wildlife Service recently put on hold its permitting for the South Delta Improvement Project, citing problems with declines in fish populations in the South Delta area. This creates substantial uncertainty as to whether the project can proceed.

Staff Comments. The \$41.6 million appropriated in 2006-07 for the South Delta Improvement Project is unexpended at this point due to the tardiness of the required report. Since these funds will be available for expenditure once the report is submitted, the department has indicated that it will have sufficient funds to continue with the South Delta Improvement Project in 2007-08 even if the Legislature does not appropriate new funds for budget year.

Department Withdrawal of Proposal. The department has withdrawn this proposal, so there is no need to consider it.